WORLD BANK NEWS

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EVENTS

"Women Are Central to Development"

In Beijing, Wolfensohn Stresses School for Girls

In his address last week to the Fourth World Conference on Women in Beijing, World Bank President James Wolfensohn urged that—by the year 2010—all girls be able to complete primary school and that an equal proportion of boys and girls should continue on to secondary school. The World Bank, Wolfensohn said, plans to commit $900 million a year to girls' education over the next five years.

UN/DPI photo

On the write track.

"I view this increased emphasis on girls' education as the single most important contribution that the Bank can make to the strengthening of women's role in development," Wolfensohn said. "Contingent on an adequate IDA replenishment, we expect to increase our annual education lending by about 20 percent to $2.5 billion over the next five years."

Attaining the dual goal would have revolutionary effects, Wolfensohn said; by 2010 an additional 100 million girls per year would gain the benefits of basic education, and 90 million per year more would attend secondary school (bringing the proportion of girls in secondary school to 60 percent, the same as for boys). In strictly economic terms, these gains could elevate per capita GDP levels by an additional one-third to one-half by 2035, Wolfensohn said. And global trade, investment and growth would be improved dramatically.

The benefits would go far beyond economics. In terms of empowering women,

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Access to Schools Empowers Women, Promotes Growth

EDUCATION, *from page 1*

Wolfensohn said, "More education for girls also will enable more and more women to attain leadership positions at all levels of society: from health clinics in the villages to parliaments in the capitals. This, in turn, will change the way societies deal with problems and raise the quality of global decision-making."

Education for girls has a catalytic effect on every dimension of development: lower child and maternal mortality rates; reduced fertility rates; increased educational attainment by daughters and sons; higher productivity; and improved environmental management. "Together, these can mean faster economic growth and–equally important–wider distribution of the fruits of growth," Wolfensohn said.

Reaching the 2010 goal would have the greatest effect on the world's 1.3 billion poor people, 70 percent of whom are women. By necessity, much of the additional support for education—and for such basic needs as nutrition and safe water that allow children to be healthy enough to attend school—will be loaned on soft terms through IDA, the Bank's concessional arm, which supports development in the world's poorest countries. Already, "IDA is the largest external provider of resources in such vital areas as education, health, nutrition, and agricultural extension," Wolfensohn said. "It is also the largest provider of financing for AIDS control and prevention in the developing world. I am deeply concerned, therefore, that IDA's capacity to help women risks being eroded by the possible failure of some countries to honor their commitments to its replenishment. Make no mistake about it: rich countries that seek to cut appropriations to IDA are hurting the world's poorest women."

The transformation to a more equal world will require not just the liberation of women but also the liberation of men in their thinking, attitudes, and willingness to take a fairer share of the responsibilities and workloads that women carry," he said.

Noting the importance of putting more women into leadership positions, Wolfensohn pointed to the three women he has appointed to vice presidential level within the World Bank Group since he joined in June.

"I need no persuading that women are absolutely central to sustainable development, economic advancement, and social justice," Wolfensohn said.□

☎For more information *on Wolfensohn at the Women's Conference, contact Klas Bergman at (202) 473-3798, fax (202) 522-2632.*

VERBATIM

Below are brief excerpts from the speech prepared for World Bank President James Wolfensohn's address to the Beijing Conference.

At the conclusion of this memorable gathering with so many distinguished participants and speakers, I come here today to join those who have called for action–and to commit the World Bank to action–which will enable women everywhere to realize their potential, to improve their quality of life, and thus to build a better world for us all.

James Wolfensohn

Despite progress over the last two decades , the harsh reality is that women are nonetheless more likely to be undernourished, under-educated, over-worked and under-paid than their male partners. They are also more likely to be poor: of the 1.3 billion people living on a dollar a day or less, 70 percent are women.

These are the women who benefit primarily from the International Development Association (IDA), the Bank's concessional arm which supports development in the world's poorest nations, where average per capita income is less than $600 per annum. In fact, IDA is the largest external provider of resources in such vital areas as education, health, nutrition, and agricultural extension. It is also the largest provider of financing for AIDS control and prevention in the developing world. I am deeply concerned, therefore, that IDA's capacity to help women risks being eroded by the possible failure of some countries to honor their commitments to its replenishment.

Make no mistake about it: rich countries that seek to cut appropriations to IDA are hurting the world's poorest women. That is a message which I hope all of you will carry back to your parliaments. It is a fundamental message from this gathering, and a failure to influence the donors to continue IDA at historic levels will be a terrible blow to the achievement of our practical objectives.

Just as IDA is key to strengthening the role of women in development, women themselves are key to development–the primary agents of change in their communities. I am impressed by the spec-

See **WOLFENSOHN,** *page 6*

1995 Annual Meetings to Engage Broader Audience

New Agenda Includes Businesses, NGOs

Next month, up to 12,000 finance ministers, journalists, activists and business people from around the world will gather in Washington for the 50th joint Annual Meetings of the World Bank Group and the International Monetary Fund. The official meetings themselves occur over just three days, October 10 through 12. But this year, those meetings represent only the core of what will be a two-and-a-half-week round of conferences, seminars and events highlighting the dynamic changes in developing countries and the global economy.

This year's expanded agenda—designed to engage not just the development community, but also a broader audience of nongovernmental organizations, investors, business leaders and the media—will spotlight economic prospects in developing countries, the Bank's role in private sector development and as a catalyst for private investment in emerging markets, the importance of investing in people and the environment, and more.

By expanding its own activities during the official Meetings, the Bank Group is seeking more interaction among its developing country clients, the private sector, NGOs and the media.

"The Annual Meetings bring such a large and influential group—from government ministers to business writers to nongovernmental organizations to major banks—that they provide a unique chance to showcase the opportunities, challenges and issues facing developing countries and emerging markets," says Mark Malloch Brown, the Bank's director of External Affairs. "This year we are making a special effort to involve the private sector. It's another way we can bring together our government clients and the international business and financial community."

This year's events also mark the first Annual Meetings under the new head of the World Bank, James Wolfensohn. In office since June, the Bank's new president will play an active role not only in the official Meetings—during which the governing boards of the Bank and the IMF convene to discuss their finances and policies—but also in many of the surrounding events. Wolfensohn will also hold a series of press briefings during the Meetings.

The World Bank Group Program of Seminars

A new showcase of this year's Annual Meetings will be a series of country-specific and thematic seminars occurring October 6 through 9, and open to all Meetings participants. Space is limited and advance registration is required. Some seats will be reserved for the press, and journalists already registered for the Annual Meetings need not pre-register for individual seminars.

See next week's World Bank News for more information on this year's Annual Meetings, including a detailed schedule.

For Information on...

	contact:
Meetings Registration	(202) 623-7063
Press Information	(202) 473-1785
Seminar Program	(202) 458-2002
ESD Conference	(202) 473-5690
NGO Activities	(202) 473-1767

Each of six individual country seminars will bring together business people, senior government officials, and others. The featured individual countries are: Bangladesh, Kazakhstan, Moldova, Morocco, Peru and the Philippines. A seventh seminar will focus on Southern Africa, particularly the market potential of South Africa's neighbors in a region in transition. The interactive, 90-minute sessions will emphasize investment and partnership opportunities. Each will be followed by a half hour of informal exchanges between the speakers and the audience.

"The forum will allow these countries to highlight their economic achievements, engage potential investors and bankers on topics of mutual interest, and hopefully develop new contacts with many of them," says Malloch Brown.

The series will also include thematic seminars on key development issues. Some of the questions that ministers, executives, academics and others will explore in depth include: What insights have investors gained from the Mexican peso crisis? What are the new risks? What choices do governments face in trying to attract—or grow—vital capital? How can World Bank guarantees mobilize private investment? Can developing countries seize new opportunities in the global information economy? How can the education systems meet the challenges of a changing work force?

Government participants in the seminars will include Andrei Sangheli, the prime minister of Moldova; Viktor Sobolev, the deputy prime minister of Kazakhstan; and the finance ministers of Bangladesh, Morocco, Peru and the Philippines. Dozens of other participants will join the panels, including Ontario Hydro Chairman and Senior World Bank Adviser Maurice Strong; William Rhodes, the vice chairman of Citicorp; and Kenneth Lay, chairman and CEO of ENRON Corp.

Also at the Sheraton Washington Hotel, where the seminars will take place, a rotating collection of information kiosks will highlight the Bank Group's innovative services. The exhibits—staffed by World Bank researchers, analysts and educators— will feature new publications, multi-media tools and research on the Bank's work in strengthening the private sector, its latest research in development economics and World Bank guarantees as a catalyst for private finance.

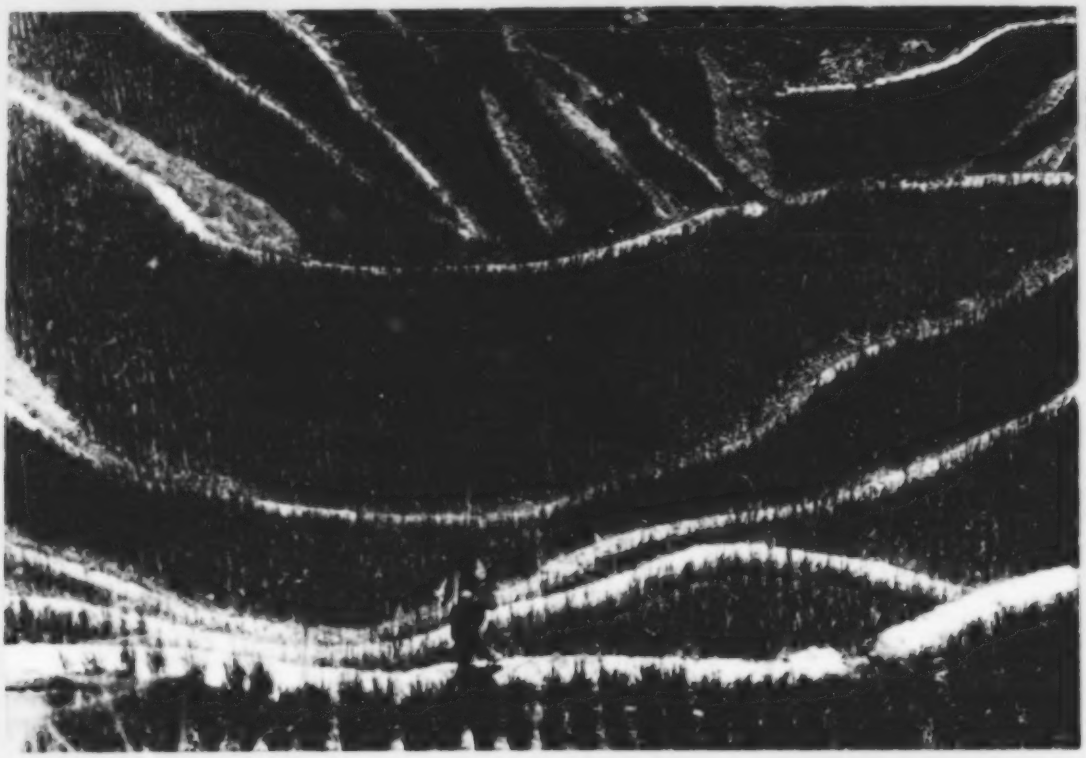
For more information on the World Bank Program of Seminars, contact Nonna Ponferrada at (202) 458-2004 or Jill Wilkins at (202) 473-1792.

Environmentally Sustainable Development Conference

From October 4 through 6, the Bank will host its third annual conference on Environ-

See **MEETINGS**, *page 4*

Philippines Use Credit to Fertilize Rural Growth



World Bank

In the Philippines, weak infrastructure and poor transport in rural areas have contributed to slow growth in the country's crucial farm sector. Food production per capita and agricultural exports in the Philippines have lagged far behind other East Asian countries. Rural poverty—tied in part to agriculture's anemic growth—is widespread, having jumped more than 52 percent between the mid-1960s and the late 1980s.

Another key constraint on the sector has been a lack of credit available to farmers. Rural credit made up only 8 percent of lending by Philippine banks in 1992, although agriculture accounted for about 22 percent of national output. The demand for long-term rural credit—vital for more rapid growth of Philippine agriculture—has been conservatively estimated at $1 billion a year for the next four or five years. To help the country meet the demand for rural lending, the World Bank on September 12 approved a $150 million loan to help expand the volume of commercial credit for agriculture and rural development. The funds will be channeled to borrowers through the Land Bank of the Philippines and other accredited lending institutions. By providing new credit and strengthening rural lenders, the project aims to bolster the rural economy, improve the climate for private business and employment and help reduce poverty. For more information, contact Rachel McColgan-Mohamed at (202) 458-0358, fax (202) 522-3405.□

MEETINGS, *from page 3*

mentally Sustainable Development (ESD). At a time of significant budgetary constraints, this year's conference focuses on how existing financial, human and institutional resources can be applied more effectively and creatively to advance ESD and improve the well-being of billions of people.

The conference will include five plenary sessions at the National Academy of Sciences and eight thematic and regional roundtables at the World Bank. Jacques-Yves Cousteau; Nobel laureate Henry Kendall; Henrique Cavalcanti, Chair of the United Nations Commission on Sustainable Development; and Ministers of Finance and Environment from Asia, Latin America and Africa will participate. US Vice President Al Gore is delivering the keynote address. And a host of related events will be held in the days surrounding the conference.

For more information on the Conference on Environmentally Sustainable Development, contact Sarwat Husain at (202) 473-5690.

NGO Workshops

This year's Annual Meetings will also include a number of workshops and meetings between the World Bank and many of its partner NGOs and other groups. Wolfensohn will address the World Resources Institute, as well as meet with NGOs at a forum on poverty. Other seminars will address topics—education, labor and training—in which NGOs are active.

For more information on NGO activities at the Annual Meetings, contact Kris Martin at 473-1767.□

Date	Event	Sponsor	Location	Telephone
SEPTEMBER				
22	Europe/East Asia Economic Summit: East Asia: What Will Sustain Growth?	World Economic Forum	Singapore	(202) 473-2763*
27	1995 Philippine Economic Summit: Europe/East Asia Economic Summit	World Economic Forum	Manila	(202) 458-0344
OCTOBER				
2	Ministerial Conference on West Bank	European Unity	Madrid	(202)473-2318*
4-6	Fourth Annual World Economic Development Congress	World Congress, Inc.	Washington	(617) 270-6204 (fax number)
6-9	World Bank Country and Thematic Seminars	World Bank	Washington	(202)458-2004*
10	Seminar on Savings Behavior and Products	Espargne Sans Frontière/ Centre National des Caisses d'Epargne et de Prevoyance	Paris	(33-1) 4800-9682
10-12	Bank/Fund Annual Meetings	World Bank/IMF	Washington	(202) 473-1785*
18-19	Consultative Group on West Bank and Gaza	World Bank	Paris	(33-1)4069-3028
29-Nov. 1	Amman Economic Summit	Gov't of Jordan	Amman	(202) 473-2318*
30-Nov. 3	International Centers Week: Consultative Group on International Agricultural Research	CGIAR	Washington	(202)473-8913*
NOVEMBER				
12-15	Conference on Health Reform Around the Globe	Canadian Society for Int'l Development	Ottawa	(613) 230-2654

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

Bank Seeks Expanded Education for Girls

WOLFENSOHN, *from page 2*

tacular results for millions of families when the economic potential of women is released. A Bank study of successful micro-credit programs for women in Bangladesh, for example, has shown that–with a loan as small as $100 to a poor woman to develop her own business–she helps to double family income and, indeed, can lift her family out of poverty after five years.

Let me stress that I recognize the cultural complexities involved in some gender-related issues. I understand that different societies have different views on the role of women and I know that such issues have been widely discussed at this Conference. Whatever the differences may be, however, all the evidence tells us that not to empower women is a tragically missed opportunity—not only to create a more just, but also a more prosperous society. Empowering women, by the same token, means ensuring their full participation in every aspect of development.

A start has already been made:

- gender gaps in education and health, while still unacceptable, are narrowing;
- women are entering the job market at twice the rate of men;
- on a global scale, women's organizations are playing an increasing role in development–both at the local and international level;
- and, as we have seen at this Conference, women have assumed important leadership and policy-making roles in many countries.

These women are on the front lines of change. The challenge facing us is how best to support them in accelerating that change–and the transformation to a more equal world.

It will require not just the liberation of women, but also the liberation of men–in their thinking, attitudes, and willingness to take a fairer share of the responsibilities and workloads that women carry on their shoulders. To bring about real improvement in the quality of women's lives, men must change. And action must begin at home. For each of us, change lies in the kind of household we live in, the society we help to build, and the institutions we work for.□

ARMENIA A $16 million IDA credit to Armenia approved September 14 will improve road maintenance in the landlocked country. Boosting the country's maintenance capacity now—along with a series of works to strengthen roads, bridges and tunnels, will head off costly rehabilitation in the future. Contact Jan Pakulski at (202) 473-1797, fax (202) 522-2632.

MADAGASCAR Madagascar is rich in unfulfilled economic potential, but more than half of its people live in poverty. A special social fund is at work at the community level to create jobs, develop health care and education, assist farmers with marketing and conservation and promote a range of small-scale private enterprises. A $40 million IDA credit approved September 14 will help the social fund expand significantly. Contact Eric Chinje at (202) 473-4467, fax (202) 473-7917.

PARAGUAY A $24.5 million World Bank loan approved September 14 will back Paraguay's efforts to strengthen its secondary school systems. The project will provide new schools, materials, teacher training, assistance to education agencies and pilot program for school-based innovations. Contact Mario del Carril at (202) 473-3189, fax (202) 522-3698.

UGANDA As Uganda engages on a broad economic reform program to boost growth and reduce poverty, an $11.8 million IDA credit approved September 12 will help the country incorporate better environmental management. The project will provide staff, equipment and training at all levels of government. Contact Eric Chinje at (202) 473-4467, fax (202) 473-7917.

1995 Environment Report

The Bank will brief the press on this year's environment report, *Mainstreaming the Environment: The World Bank Group and the Environment Since the Rio Earth Summit.*

The briefing will be September 25 at 4 p.m. in Rm. J-1050, 701 18th St.

For more information, contact Sarwat Hussain at (202) 473-5690, fax (202) 473-3112.

WORLD BANK NEWS

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ANNUAL MEETINGS 1995

Expanded Agenda Planned for Annual Meetings

The 50th Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group will be held in Washington, D.C., from Tuesday, October 10 through Wednesday, October 12.

James Wolfensohn

Last week, *World Bank News* detailed innovations in this year's Meetings, including the first country and thematic seminars, to encourage interaction among government delegations and private sector representatives. The seminars will take place Friday through Monday, October 6 through 9.

In conjunction with the Annual Meetings, the World Bank is hosting the Third Annual conference on Environmentally Sustainable Development and is releasing two new reports: *Mainstreaming the Environment*, on the World Bank and the environment since the 1992 Earth Summit, and *Bureaucrats in Business*, detailing how inefficient state-owned enterprises hinder economic growth.□

PUBLICATIONS

Bank's 'Green' Lending Continues to Climb

The World Bank is now the world's leading financier of environmental projects in the developing world, with $10 billion in its environmental portfolio for 137 projects in 62 countries. More importantly, the Bank is "greening" its general operations, which average $20 billion annually, according to the Bank's 1995 environment annual report.

Mainstreaming the Environment: The World Bank and the Environment Since the Rio Earth Summit describes how some $5.6 billion of the $10 billion in loans has

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World Bank

Clearing the environmental log jam.

INSIDE ...

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INTERVIEW

'A Massive Force for Environmental Progress'

Ismail Serageldin is the World Bank Vice President for environmentally sustainable development. He spoke to World Bank News *about the ways in which the Bank is addressing the phenomenal problems facing developing and industrialized countries alike in promoting environmental concerns and economic growth.*

Ismail Serageldin

WBN: What messages do you want to convey at the Conference on Environmentally Sustainable Development, at the Annual Meetings and at the seminars here in the coming weeks?

A: There is a set of complex issues. We are trying to address the issue of financing. Governments everywhere are running deficits and cutting budgets. So the issue is not simply to spend more money but to spend the available money more wisely. We must be able to convince people that the same money can be spent differently, that revenues can be raised differently, creating a framework that mobilizes the private sector and empowers local communities and society to participate more effectively.

Economists are very outspoken about getting the prices right. I prefer to talk about getting the roles right. We each have a different role to play. If we get our roles right, then the whole is more than just the sum of the parts.

WBN: What is the Bank's role in all this?

A: The Bank has a multiplicity of roles. First, it helps to develop an intellectual framework—and analytical framework—that allows us to measure where there is progress and where there is not, which leads

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Bank Emerges as Environment's Leading Lender

REPORT, *from page 1*

been invested since the 1992 Earth Summit in Rio and how the Bank will be incorporating environmental concerns in an estimated $200 billion of its lending over the next 10 to 15 years.

"When co-financing is included, averaging 60 percent of a Bank-financed project, some $500 billion in projects will receive environmental scrutiny and supervision, making such investments a massive force for environmental progress in developing countries," says Ismail Serageldin, the Bank's vice president for environmentally sustainable development.

"This global shift signals a growing demand for 'greener' projects and illustrates how developing countries have overcome the old 'development-versus-environment' argument," says Andrew Steer, director of the Bank's environment department. "We are committed to strengthening the partnership between economic development and environmental sustainability."

The report describes substantial progress in the way the World Bank assists client countries in addressing environmental concerns, but it also notes that the agenda is unfinished. The challenges that are expected for the next three to five years are:

• *Implementing the portfolio of environmental projects.* Ensuring that projects continue to perform well and that lessons from innovative approaches are learned and disseminated. The majority of projects in the current portfolio of $10 billion are new.

• *Moving beyond project-specific environmental assessment.* Environmental assessment techniques need to be broadened to the sectoral and regional levels.

• *Improving the monitoring of impacts on the ground.* Information on environmental trends remains weak. The Bank will need to strengthen efforts to identify and reinforce indicators of progress.

• *Addressing the social dimensions of environmental management,* ensuring that stakeholders are involved in the design and implementation of projects. Cultural issues, social costs and benefits must be taken into account.

"We are committed to strengthening the partnership between economic development and environmental sustainability."

• *Developing and applying global overlays.* Global environmental goals must be integrated into national strategies and action plans for sustainable development.

"The report says, No, we haven't arrived yet, although there's been very good progress to date," Steer comments.

"If we are successfully greening the entire portfolio of the Bank," concludes Serageldin, "or moving in that direction, then, indeed, the likely impact of the Bank, in terms of environmental development, can be much larger than just the environment portfolio itself." □

☎ *For more information on the World Bank and the environment, call Sarwat Hussain at (202) 473-5690, fax (202) 473-3112, or Merrell Tuck at (202) 473-9516, fax (202) 522-2632.*

Getting Bureaucrats Out of Business

EMBARGO: ***Not for publication or broadcast before 4 p.m. EDT (2000 GMT) Sunday, October 8. The full report will be available at a press conference in Washington, D.C., on October 6, and will be the subject of a roundtable discussion with senior government officials on October 8.***

Inefficient state-owned enterprises are hindering economic growth in many developing countries and are making it more difficult for people to escape poverty, according to a new World Bank report on state ownership of enterprises and the political obstacles to reforms.

"Our research shows that loss-making state-owned enterprises are a significant burden on government budgets and scarce resources in many countries," said Michael Bruno, World Bank chief economist and vice president for development economics. "These enterprises hinder growth, impede market liberalization, and thus both directly and indirectly limit efforts to reduce poverty."

The report, *Bureaucrats in Business: The Economics and Politics of Government Ownership*, asserts that widespread reform efforts over the past decade have done little to improve the situation.

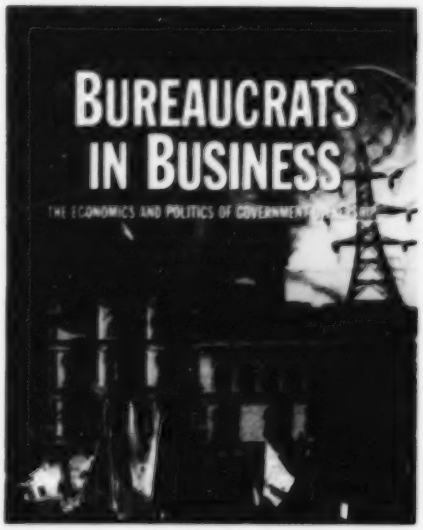
Developing countries are divesting an average of only three enterprises a year, although most governments own hundreds of enterprises that could be run more efficiently by private owners, the report says. Attempts to improve the efficiency of state-owned firms without selling them often fail and sometimes result in even worse performance.

The findings run counter to the widely accepted view that many countries are rapidly turning state-owned enterprises over to the private sector. While divestiture has been rapid in Eastern Europe and Russia, and a few other countries have sold large state monopolies, the report finds that such ambitious reform programs are the exception rather than the rule.

State-owned enterprises often absorb funds that could be better spent on basic social services, according to the report. In Tanzania, for example, government subsidies to state-owned enterprises equal 72 percent and 150 percent of government spending on education and health, respectively.

The report found that, although many governments have announced plans to sell state-owned enterprises and improve the performance of remaining companies, "only a few have made measurable progress" in this direction.

"The so-called decade of divestiture has produced more hot air than hot prospects," said research team leader Mary Shirley.



"State enterprise reform has moved slowly because it is costly politically —privatizing state enterprises or otherwise improving their efficiency often means cutting jobs and eliminating long-established subsidies," she said. "However, in the few countries that have overcome these obstacles, the economic benefits of reforming state enterprises are very substantial."

The report is the broadest assessment yet of the impact of state enterprise reform efforts under way in many countries since the mid-1970s. It draws on an extensive new data base and 12 detailed country case studies. Unlike most World Bank studies, it explicitly discusses how politics influence whether governments adopt effective economic policies.

Using five measures of change in state enterprise performance, researchers ranked Chile, Korea and Mexico as the more successful reformers; Egypt, Ghana and the Philippines as having mixed results; and India, Senegal and Turkey as the least successful in reforming their state-owned enterprises. Three transition economies – China, the Czech Republic and Poland–achieved "mixed to good performance."

Researchers analyzed the political economy of state enterprise reform and found that the more successful countries met three conditions:

- Reforms were politically desirable to the leadership, because they were favored by key groups of the leadership's supporters. The report says that while some exceptional political leaders may create new constituencies for change, most pursue the policies favored by those who put them in office.
- Reforms were politically feasible, because the leadership had the means to overcome opposition. Countries that did this successfully typically employed a mixture of compensation, such as severance pay for public employees who lost their jobs, and compulsion, requiring people who opposed reform to go along despite their losses.
- Finally, reforms were credible, because the promises that the leadership made in the course of reforms were believable.

The research found that if any one of these three conditions is not met, divestiture and other reforms to improve the efficiency of state-owned enterprises do not succeed. Foreign aid designed to encourage state enterprise reform can be counterproductive when the conditions for successful reform are lacking, the report stressed.

Some countries ended overt state subsidies to meet the aid requirements but then hid subsidies and bank credits, spreading problems to the financial system. The report recommends that governments and multilateral institutions that provide foreign assistance differentiate between countries that are ready to reform their state-owned enterprises and those that are not, and tailor assistance accordingly. □

☎For more information, contact Lawrence MacDonald at (202) 473-7465, fax (202) 522-1150.

Same Money, Different Uses for the Environment

SERAGELDIN, *from page 2*

to better decisions. The Bank is a global institution with important links to all developing countries. These links facilitate the sharing of experiences between countries.

Second, the Bank is the biggest source of financing for the environment, with a portfolio of more than $10 billion, representing 137 operations in 62 countries. In preparing many projects, the Bank applies its experience and research to its own investment decisions, and in so doing it helps its borrowers through the professional dialogue. These are pivotal relationships that contribute to improved policy dialogue, institutional standards, sectoral policies and aid coordination.

A third contribution, well-documented in this year's Annual Report on the Environment, is that the Bank's work can have a much greater positive impact by mainstreaming the environment through the Bank's whole portfolio and not limiting it to projects labeled as "environmental." We have found that by incorporating "environmentally friendly" activities into projects in all sectors—agriculture, natural resource management, water and sanitation—the result is a huge volume of lending that is promoting environmentally sustainable development.

WBN: How is the Bank changing its approach to the environment?

A: We have made much progress since Rio, and the Bank now stands at the cutting edge of many environmental questions, but we need to do more. I believe we now have a new president who is a visionary with a sweeping perspective of the world, who is a long-standing environmental activist. James Wolfensohn was at the original Stockholm Summit in 1972, the first "Earth Summit" which preceded the Rio Summit by 20 years, and marked the beginning of the international environmental movement. He is not a newcomer to these questions, but one of the founders of the movement. He has the vision to lead the bank into the 21st Century.□

VERBATIM

World Bank Managing Director Sven Sandström recently spoke to the group Population Action International on the Bank's work to slow population growth and improve standards of living.

Educating Girls and Other Population Solutions

The Bank's relationship with Population Action International (PAI) is a long and healthy one. Your strong support for the IDA is highly appreciated in the Bank and in the developing world; as you all know, it is particularly crucial this year.

For 30 years now, PAI—like the Bank—has been on the front lines: an activist and an advocate in the war on global poverty and efforts to improve the quality of people's lives. We sometimes forget just how successful that effort has been. A real measure of progress is that a child born in the developing world today is half as likely to die before the age of 5 than a child born a generation ago, twice as likely to learn to read and can expect more than twice the standard of living.

The remarkable progress on population issues also should not be overlooked: average fertility rates in the developing countries have dropped sharply, from 6.2 children per woman in the 1950s, to about three children per woman today.

So those who say that development doesn't work are wrong. And those who say that development assistance is no longer needed also are wrong. An enormous challenge remains. Within the next generation, global population is projected to increase by about three billion people—95 percent of them in the world's poor countries.

These demographics raise a fundamental dilemma: how will the additional numbers be fed and housed? How will they be educated and employed? And what can be done to relieve the inevitable stress on the environment?

I believe the Cairo Conference last year was a major step forward in finding some answers to these questions. Cairo said that population issues must be seen as part of the overall challenge of sustainable development—and must be addressed as such. Cairo indicated that, more than money, it's commitment that counts—focusing on the priorities over the long term, and using resources efficiently to achieve them.

Let me highlight what the Bank is doing to follow up on Cairo. I would emphasize that we believe firmly in a country-by-country approach. All our efforts in the population field are now based on the premise that each country has to tailor its policies to its own customs and circumstances. As well as the country approach, we believe in the integrated approach. Our priorities are basic health care, education and greater access to family planning.

In addition, we are giving special emphasis to girls' education. We believe this has a powerful, catalytic effect on every dimension of development—from lower fertility rates to higher productivity and better environmental management. Because we see girls' education as having such vast potential, [World Bank President] Jim Wolfensohn proposed in Beijing that, by the year 2010, the international community should aim to ensure that every young child—girls and boys—completes primary school, and that an equal proportion of girls and boys (about 60 percent) should go to secondary school.

To help meet the goal, the Bank expects to focus about $900 million a year on girls' education for the next five years; and we will work with both our borrowers and donors to shift priorities and mobilize the other additional resources required.

The Bank cannot do it alone, of course. In fact, we can do nothing without our partners: our borrowing countries; our fellow agencies in the international system; NGOs and local community organizations; and private groups, such as PAI.

We can all learn from each other, reinforce each others' different strengths and so leverage our collective effort. To a large extent, we know what needs to be done. Now we need to do it.

World Bank Group Program of Seminars

Friday, October 6

***Investing in People**: Building a strong private sector with civil society participation, 4 - 5:30 p.m.*

Saturday, October 7

***Education and Training in Dynamic Economies**: Creative approaches to public/private partnerships, 9:30 - 11 a.m.*

***Portfolio Flows After Mexico**—The end of innocence? 11 a.m.-12:30 p.m.*

***Capital for Emerging Markets**: Buy it? Grow it? 2:30-4 p.m.*

***Bringing Emerging and Transition Markets into the Global Information Economy**: The World Bank's initiative on information for development, 2:30 - 5 p.m.*

Sunday, October 8

***Country Seminar: Kazakhstan**-Discovering new openings for foreign investment, 9 - 10:30*

***Regional Seminar: Southern Africa - Focus on South Afri...'s Neighbors**—Market potential of a region in transition, 11 a.m. - 2 p.m.*

***Country Seminar: Morocco**—Broadening the scope for private enterprise and investment, 2:30 - 4 p.m.*

***The World Bank Guarantee: A Catalyst for Private Finance**—Mobilizing private capital through risk-sharing, 4:30 - 6 p.m.*

***Getting Bureaucrats Out of Business**—Pitfalls and successes in reforming state-owned enterprises, 5 - 6:30 p.m.*

Monday, October 9

***Country Seminar: Bangladesh**—A new horizon for investment, 9 - 10:30 a.m.*

***Country Seminar: Moldova**—Stability and reform: bidders opportunities for foreign investors, 10:30 a.m.- noon.*

***Nobel Laureates Panel**—Nobel perspectives on the policy frontier of environmentally sustainable development, 2 - 4 p.m.*

***Country Seminar: Peru**—A comprehensive reform program is paying off, 2:30 - 4 p.m.*

***Country Seminar: Republic of the Philippines**—A dynamic business community is leading the new growth era, 4 - 5:30 p.m.*

LENDING

Curing Mexico's Health Ills

Mexico's 1994 peso devaluation triggered a economic and financial crisis of negative growth, high interest rates and inflation of about 42 percent. The crisis has particularly hit Mexico's poor, some 30 million of whom live without adequate access to health care and other social services.

Low access to health care and poor-quality health services continue to be problems, even though Mexico has boosted federal spending on health and transferred more control of the sector from national to state agencies. To help the government improve health services, the World Bank on September 26 approved a $310 million loan that will bring better health care to more than 15 million uninsured poor in Mexico's 11 poorest states.

The loan is divided in three parts: $335.3 million for basic health care, $61.1 million for institutional development and decentralization and $47 million for modernization and restructuring of the ministry of health and its institutions.

"We recognized the need for more flexibility in a health care project, therefore, we designed it as a time-slice operation which will also enhance the Bank's parallel track dialogue on health policy," says project manager Armin Fidler.

The project will transfer more programming, managing and budgeting responsibilities to states and jurisdictions, which will promote greater efficiency and equity in resource allocation, improve the quality of service and boost the institutional capacity of states and jurisdictions.

The basic health care component of the project will benefit especially vulnerable women, children and the indigenous population, all of which are groups that carry a disproportionate burden of disease in the project areas.

Aside from delivering vital care to some of Mexico's poorest citizens, the project could also ease some of the economic pressure in the sector. While many of the project's benefits are difficult to quantify, a cost-benefit analysis of three elements—basic health care, improved pharmaceuticals management and reduced administrative costs—reveals promising gains. Over five years, improved basic care alone would save $1.4 billion in costs linked to disease and disability.

"The project will create a basic support structure for decentralization, putting local people in the driver's seat," Fidler says. "The project features the preparation of investment plans, with a bottom-up approach in which local health care jurisdictions analyze problems and prepare annual investment plans for health, to be reviewed by state and federal authorities.□

☎ For more information, contact Mario del Carril at (202) 473-6189, fax (202) 522-3698.

General Information for World Bank Program of Seminars

Seminars will be open to all Annual Meetings participants, but preference will be given to those who have pre-registered. Space at the seminars is limited, the response has been excellent and several seminars are already filled to capacity.

Some seats will reserved for the press and journalists already registered for the Annual Meetings need not pre-register for individual seminars.

For Information on...	contact:
Press Desk (10/4 -10/9)	(202) 473-3552
(10/10 - 10/12)	(202) 319-3153
Seminar Program	(202) 458-2004
fax:	(202) 623-4100
ESD Conference	(202) 473-5690
NGO Activities	(202) 473-1767

Follow-up inquiries after October 12 (at the World Bank): Tel (202) 458-2004
Fax (202) 623-4100

PUBLICATIONS

IFC Invests Record Amount in Private-Sector Enterprise

The International Finance Corporation (IFC) announced record investment levels for fiscal year 1995 in its annual report released this week. The IFC, a member of the World Bank Group and the largest multilateral source of equity and loan financing for private sector projects in developing countries, approved $2.9 billion in financing for 213 projects in the year ending June 30, 1995.

The corporation also released a new study, "Privatization: Principles and Practice," which examines the IFC's decade-long experience of nearly 150 privatization projects in 54 developing countries and economies in transition.

The IFC established a new benchmark in its resource mobilization activities: syndications with commercial banks in fiscal 1995 reached a record $2.6 billion, a 42 percent increase over the previous year. For every $1 in financing approved by IFC for its own account in fiscal 1995, other investors and lenders will provide $5.73. The total cost of projects approved in 1995 amounted to $19.5 billion. Net income, at $188 million, was in line with historical levels.

The corporation invested and provided technical assistance in a record 67 developing countries in fiscal 1995, making its first ever investments in the Kyrgyz Republic, Latvia, Lithuania, South Africa and Uzbekistan. Armenia, Georgia, Moldova and Tajikistan became members this year.

The privatization study identifies key principles for successful privatization programs, including: balancing political and economic objectives; using flexibility in designing privatization programs; and maximizing transparency, which is crucial to securing popular support for the process.

In 70 percent of the privatization transactions in which the IFC has been involved, there have been clear economic benefits for the privatizing countries, the study asserts. Two thirds of the companies in the IFC study saw profitability improve after privatization. □

☎For more information *on the International Finance Corporation, contact Jeanne Segal at (202) 473-0393, or fax (202)676-0365.*

COTE D'IVOIRE

A credit of $150 million, approved by the International Development Association on September 26, will help Cote d'Ivoire carry out agricultural reforms aimed at reducing export taxes on cocoa and coffee, improving marketing efficiency and transparency of the two products and liberalizing rice imports. The credit will also be used to remove non-tariff barriers and price controls in agriculture, improve public investment programs and privatize the main agro-industries in rubber, palm oil, sugar and cotton. For more information, contact Eric Chinje at (202) 473-4467, fax (202) 473-7917.

PAKISTAN

The International Development Association has approved on September 26, a credit of $18.5 million for a community irrigation and agriculture project in Balochistan. The project will help redefine the government's role in minor irrigation development, provide assistance, develop sustainable farmer organizations and self-sustaining irrigation systems, increase incomes and the recovery of public expenditures for irrigation infrastructure. The project aims to increasing community involvement in project development. For more information, contact Paul Mitchell at (202) 458-1423, fax (202) 477-1245.

TURKEY

For two years now, the Turkish government has stressed its desire to overcome institutional and systemic problems in public financial management, such as taxation, government spending and customs administration. A $62 million loan from the World Bank, approved on September 21, will help finance a $94.2 million project to modernize the tax administration, reduce public spending and overhaul customs policies, enabling Turkey to sign a customs accord with the European Union in 1996. For more information, contact Jeannie Yamine at (202) 473-2318, fax (202) 477-7978.

WORLD BANK NEWS

Stefano Petrucci, Editor
Cynthia Delgadillo, Production Assistant

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

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PUBLICATIONS

Private Prospects Improving in Africa

Much Work Still to be Done, IFC Report Says

Africa's worst economic crisis since independence appears to have bottomed out and there are grounds for cautious optimism, but serious constraints remain to growth of the private sector in the region, according to a new report by the International Finance Corporation (IFC), *Building the Private Sector in Africa*.

"We are optimistic and the general direction has been positive, especially when compared to ten years ago, but Africa still has a way to go," says Abdelkader Allaoua, senior regional economist of the IFC's Sub-Saharan Africa Department. "A lot has been achieved in terms of policies and regulations, but more needs to be done in terms of institution building and the application of new laws."

The report describes 35 years of IFC activities in Africa, where the corporation, part of the World Bank Group, has been stepping up its investments while foreign investors have been withdrawing from the region. The IFC, which provides equity and loan financing to private sector projects in

See **IFC**, *page 3*

EVENTS

Arafat Visits Bank, Thanks Staff for Help to Palestinians

Palestine Authority Chairman Yasir Arafat personally thanked World Bank staff for their efforts on behalf of the Palestinians when he visited the Bank's headquarters in Washington last week.

"Thank you, thank you, thank you," Arafat concluded following an hour-long meeting with about 50 staff members from the Bank's Middle East and North Africa Region (MENA), many of whom had worked

See **ARAFAT**, *page 2*

M. Spilotro

Meeting staff at the World Bank.

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Bank Aid Comes at Crucial Time for Palestinians

ARAFAT, *from page 1*

with Arafat during the crucial early months of the 1993 peace accord with Israel. Arafat, in Washington for the signing of a new expansion of Palestinian self-rule on the West Bank, told the staff: "I insisted on dropping by to thank all of you personally for your help in the beginning. I know many of you have spent many hours with us, working through the night to get projects prepared."

Arafat and Bank President James Wolfensohn held separate talks on September 29, the day after the signing of the new accord which expands self-rule to new areas of the West Bank. He was welcomed at the Bank by MENA Vice President Caio Koch-Weser.

"We are privileged to have provided needed technical expertise, as well as a mechanism to coordinate aid to the Palestinians at such a crucial time in the history of their people, and we are committed to continuing such assistance for as long as it is needed," Koch-Weser said.

The Palestinian leader said there was still a lot to be done but that he hoped the Bank and its staff would continue to provide the help needed in aid coordination and technical assistance.

Shortly after the historic 1993 accord opened the door for Palestinian autonomy in the West Bank and Gaza, the Bank responded with a sector-by-sector analysis of the area's most crucial needs, along with $30 million in funding for an Emergency Rehabilitation Project to rehabilitate roads, power, schools, water, sanitation and other infrastructure.

In July, the Bank provided $20 million for health and education projects in Gaza and last week helped the Palestinians complete 15 proposals for infrastructure and training programs. The proposed projects, including housing, water management and roads, will go before a donors meeting in October.□

☎For more information *on the Middle East and the World Bank, call Jeannie Yamine, (202) 473-2318, fax (202) 477-7978.*

VERBATIM

World Bank President James Wolfensohn, in an address he called his "coming out party with the world environmental community," committed himself to creating a "greener" World Bank when he spoke before the World Resources Institute on October 2. He promised that the Bank will consider all the environmental implications of its activities. Following are excerpts from his address:

'People Make the Environment, People Make Development'

I've seen a sea change in attitudes in the developing countries since Rio. There is no question now that governments in developing countries understand the necessity of appropriate policies and planning and implementation with regard to the environment. This is not something that is perceived as imposed by the outside; it is something that is seen as an essential part of their own long-term sustainable development.

Indeed, at the Bank, we too have grown up. I'm embarrassed to tell you that ten years ago, we had one project directed specifically to the environment. I am happy to tell you that there are over 100 projects today, and that in every one of our projects, we are moving towards greening our portfolio. It is not yet complete, and it will require education, hard work and a re-orientation by some of our colleagues. But what I am finding in the Bank is a growing awareness on the part of all that the environment is not an optional extra; it's something that is an essential element in everything we do.....

We must have in our minds, as we approach the issue of development, that this is not a singular task; this is part of a systemic solution that we need to find, because you cannot tell a people who are poor that they can't move into fragile and marginal environments unless you give them an alternative, unless you deal with them....

The first thing I would like to address is the fact that people are at the core of this whole thing. We've got to deal with people. My distinguished predecessor and friend Lew Preston recognized this very well, and he started to re-direct the Bank in terms of our lending to people, because people make the environment; people make development. And now, I'm happy to say that we are up to 25 percent of our lending going to education, health and social programs. That is an amazing change for our institution....

My second issue which I wanted to bring before you is this question of how we relate to our partners. Let me tell you straightforwardly that as we operate in the world today, I think all of us recognize that the Bank is not the only stop on the street....The Bank does not have a lock on ideas. The Bank needs partners. It needs partners in resources; it needs partners in ideas; and it needs people. We don't have enough people; we're not in every part of the world.

And so, what I have been trying to do in these four months at the Bank is to say to groups around the world, our harshest critics, non-governmental organizations, the civil societies, and the friendly regional development banks, bilateral assistance and the private sector: Come talk to us; we need your help; we want to be a good partner; we want to have ideas; we want to develop together programs which will help the poor; we want to work on poverty together; we want to work on the environment together....

I am going to do my very best to ensure that this institution cares about the environment and that in everything we do, it considers the environment. I hope you will understand that what we are trying to do is part of systemic solutions, that we are concerned about having realistic solutions, not just token shows in relationship to the environment. Because to have sustainable development, you must have a combination of economic forces, social forces, political forces with environmentally-friendly projects.

You cannot make it sustainable unless you bring it together. And we have to do it within a political environment in countries where the people know that what we are doing is in their best interest as it is in the interests of our planet.

Doing Business in Africa is Still Tough but Getting Easier

IFC, *from page 1*

developing countries, also provides crucial financial and technical assistance and serves as a neutral third party in solving negotiation problems.

While the overall situation is improving, the report notes, "doing business in Africa in the private sector is tough." Constraints facing entrepreneurs can vary from civil disturbance and war to government harassment and interference, as well as uncertain exchange rates and obstructive government policies in general.

"Policies that can hinder private activities include restrictive regulations, price controls, a primitive financial system, taxation rules and dominance of the public sector—like monopolies by state-owned companies and government subsidies, and poor dialogue between the government and the private sector," Allaoua says.

IFC is optimistic on Africa's prospects. The private sector is moving to the center of the region's development agenda and the overall policy framework is improving.

Two other sets of constraints are highlighted in the report: a largely untrained and uneducated labor force and a weak infrastructure base; and macro-economic conditions within a framework which Allaoua describes as "still not sound by global standards," referring to deficit, inflation, exchange rate stability and size of the public sector.

But the report is not entirely negative and notes that the performance of IFC's Africa portfolio has been mixed over the years. The portfolio was hit hard by the long recession of the 1980s and deteriorated further because of bad management and marketing, high costs and other micro-economic factors. However, some sectors have performed very well, including oil and gas, mining and capital markets.

World Bank

Winds of change coming to Africa.

More recently, the composition of the portfolio itself has improved, and "this improvement is reflected in high and positive ex-post financial and economic rates of return of the projects started up in the 1990s," according to the report. The private sector supply response is slowly beginning to take hold in some countries, especially in the small- and medium-sized business sector. "This is still fragile, however, and needs to be consolidated," says the report.

IFC's investments in Africa have grown steadily, from five projects a year in the 1970s to 15 projects a year in the 1980s, jumping to 46 projects a year in the 1990s. Total investment soared from a yearly total of just $13.6 million in the 1970s to $219 million in the 1990s.

"There are an increasing number of investment opportunities arising from privatizations, ownership changes and expansions which can attract foreign capital through investment funds," says Tei Mante, director of IFC's Africa Department. "One of our priorities in the region is to expand our work in providing technical assistance and financing to help African entrepreneurs make the transition from informal operations to modern and professionally managed enterprises."

IFC is optimistic on Africa's prospects. The private sector is moving to the center of the region's development agenda and the overall policy framework is improving. Other developments point to improved private investments in the region: growth prospects are perhaps the best they have been in a decade; export receipts have increased for many countries; reforms are slowly taking hold; and the CFA zone and Southern Africa are becoming important clusters for opportunities.

At the same time, fund managers are showing increased interest and several "Africa funds" have been launched. Portfolio investments to Sub-Saharan Africa, excluding South Africa, surged from zero in 1993 to more than $146 million in 1994.

IFC intends to translate this improved outlook into increased private investments. IFC's future investments in Africa, as detailed in the report, will focus on six areas: extractive industries (mining, oil and gas); small- and medium-sized industries; financial intermediaries; improving the utilization of existing assets through restructurings and privatizatons; infrastructure; and joint work with the World Bank on the financial sector, private sector assessments and the development of country assistance strategies. □

☎For more information *on the IFC, contact Amy Conran at (202) 473-9119, fax (202) 676-0365.*

LENDING

After the War, Rebuilding With Hope

Cambodia, El Salvador Work for Prosperity with Peace

Cambodia and El Salvador are both struggling with reconstruction after decades of civil strife, war and social upheaval. At nearly opposite ends of the world, they face similar problems as they endeavor to consolidate peace, maintain political stability, undertake national reconciliation and rebuild their shattered economies and infrastructure.

The intentions of both their governments are to become the new and leading economic powers in their respective regions.

The World Bank and the International Development Association have now approved much-needed credits to El Salvador and Cambodia for institution building and the education, energy and finance sectors. In the long run, the goal is to reduce dependence on international aid and to encourage private investments.

Rehabilitation in Cambodia

After more than 20 years of war, Cambodia has embarked on a very challenging rehabilitation and reconstruction program as it makes the transition to a market economy. The Paris Peace Accords were signed in October 1991 but when elections were held in May 1993, the country's situation was still dire.

Since then, the political situation has improved and stabilized, although it is still fragile, and the government has been able to make progress in addressing the most pressing economic problems. Today, the government has an inflation rate target of 10 percent, from 26 percent in 1994 and 31 percent in 1993. The economy grew 4 percent in 1993 and 1994 and the medium-term goal is for a growth rate of 7 percent this year and 7.5 percent in 1996 and 1997.

However, the country still needs strong international support to help foster a climate of greater stability and confidence.

The International Development Association (IDA) on September 28 approved two credits, totaling $80 million, for power and economic rehabilitation projects.

A $40 million credit will be used to support the rehabilitation of Phnom Penh's power distribution system and to help the government strengthen sector institutions. Another credit of $40 million will finance general imports of goods to meet part of Cambodia's short-term external financing.

The power project will help finance priority investments in power distribution, "which are urgently needed to fill a critical gap and provide enough confidence to attract funds for power generation from public and private sources," says project manager Enrique Crousillat.

The project also will provide technical assistance to the national utility company and the ministry in charge, to help the government in its initial efforts to reform the sector, establish a competitive environment and attract private sector investment.

The economic rehabilitation credit, on the other hand, "supports the entire program of reforms," says project manager Guy Darlan. "The government is implementing a strong program," he adds.

Both private and public sector imports will be eligible for financing. The credit will make it possible for the government to increase public spending in other areas, including health, education and social programs, and to finance development projects. □

☎For more information *on Cambodia and the World Bank, contact Rachel McColgan-Mohamed at (202) 458-0358, fax (202) 522-3405.*

Reconstruction in El Salvador

El Salvador is beginning to recover from more than a decade of civil war, a devastating earthquake and a protracted economic crisis. But in spite of the achievements of the last five years, much remains to be done. Public services are severely deteriorated, spending on education is still far below 1980 figures and per capita GDP growth remains at pre-war levels.

To help the Central American country rebuild its education system and accelerate private sector development, the World Bank on September 28 approved two loans, amounting to $50 million.

The first consists of $34 million to improve the quality of and access to the education system, with emphasis on pre-school and basic education. At the request of the government, the project was divided into two separate parts, one for education and one for student health, aimed at the 135 municipalities identified as the neediest in terms of malnutrition, repetition and enrollment rates, and the percentage of overage students.

World Bank

Looking to a brighter future.

The Calderon Sol administration, which took office in July 1994, still relies on external aid for 40 percent of the annual education budget. Spending has increased slightly over the last two years, ranging between 11 and 14 percent of total government spending (compared to 24 percent in 1980). Over 90 percent of spending, however, is for current expenditures. Neither maintenance nor new investments in schools have been undertaken in over a decade, with the exception of facilities built with foreign aid.

The second loan, of $16 million, will be used by state bodies to help raise productivity and international competitiveness, lower business costs and facilitate the flow of public-private sector dialogue and information.

"There has been substantial collaboration between the private and public sectors," comments project manager Mark Dutz. "The government has a vision of enhancing international competitiveness with a dynamic and open economy that incorporates best practices and stronger channels of technology diffusion."

See **EL SALVADOR**, *page 5*

Production, Competitiveness Must Expand

EL SALVADOR, *from page 4*

Recent economic growth has been impressive but may not be sustainable unless industrial and agricultural production, as well as exports, expand considerably. Experts believe that productivity must be increased to reduce dependence on low-cost labor and that El Salvador must become more attractive to foreign investors and place more emphasis on using technology in the productive sectors.

The competitiveness technical assistance program has multiple tasks. It will provide assistance in preparing and enforcing competition and consumer protection laws, modern bankruptcy laws and alternative dispute resolution mechanisms. It will create a coordination unit to oversee the design of rules and privatization plans for telecommunications and energy.

The project will also help: identify and remove obstacles to trade, commerce and investment in financial services; promote investments and exports; support reforms of movable assets and commercial and intellectual property registries; define the role of the central bank in provision of liquidity to banks as lender of last resort; design a modern payment system; promote a corporate culture; prepare a study of priorities for science and technology policies and a national scheme for technical training; build a public information program; establish study tours and working groups. □

☎For more information *on El Salvador and the World Bank, contact Mario del Carril at (202) 473-6189, fax (202) 522-3698.*

IFC Invests in Private Hospital in Indonesia

The International Finance Corporation (IFC) has signed an agreement to provide a financing package of $25.8 million for the P.T. Siloam Gleneagles Hospital to build a 330-bed private hospital in Lippo Karawaci, a new urban development near Jakarta, Indonesia.

The new hospital, called Rumah Sakit Siloam Gleneagles, will provide the full range of diagnostic and general medical services in internal medicine, general surgery, pediatrics, obstetrics and gynecology, emergency services in cardiology, oncology, ophthalmology, ear, nose and throat, geriatrics, nephrology and dentistry.

IFC's financing package consists of a loan of $8.3 million for IFC's own account, a subordinated loan of $3.6 million and a syndicated loan of $13.9 million for the account of participating financial institutions. The total project cost is estimated at $48 million.

The financing is IFC's second major investment in a private hospital, "and underscores the importance of attracting private financing to the health care sector in developing countries," said Peter Cook, director of IFC's Asia Department. "Private sector investment in this key sector can provide a higher standard of health care and free up government resources for other urgent health care priorities." □

G. Cameron

Weighing prospects for health care.

☎For more information *on IFC, contact Ludwina Joseph at (202) 473-7700, fax (202) 676-0365.*

LENDING

Restoring Power in Jamaica

Explosion Damage is Target of Loan

On June 3, 1994, an explosion at the Old Harbour electric power station in Jamaica wiped out more than one third of the station's base load capacity and reduced dramatically its reserve margin, which is critical for the reliable operation of the system. As a result, all remaining plants have been over-extended, outages have increased and the public service company has been forced to schedule power cuts throughout the island.

Economic development and environmental protection in Jamaica rely on an adequate and clean power supply, and the restoration of the Old Harbour power plant to its former capacity is crucial if current economic trends are to be sustained.

The World Bank on September 28 approved a $21 million loan to help finance a $69.5 million project to replace lost generating capacity, upgrade existing facilities, improve the energy control system, reinforce the transmission network and reduce environmental damage. The project will help protect the air, water and soil around Old Harbour through new sulfur dioxide containment measures, waste-water treatment and oil spill protection.

Two units damaged by the explosion will be repaired, a third will obtain extended life, three gas turbines and the telecommunications and control systems will be upgraded, and new transmission lines will be built. The Bank will also provide consulting services. □

☎For more information *on Jamaica and the World Bank, contact* Mario *del Carril at (202) 473-6189, fax (202) 522-3698.*

1995 Annual Meetings—Information Kiosks, Knowledge Fair and Exhibits*

Sheraton Washington Hotel

Kiosk—Strengthening the Private Sector

What are the Best Practices to Boost Private Sector Development?
Who Works on Private Sector Issues Within the Bank Group?
How does the Bank Group Broker Public/Private partnerships?

With the aid of videos, CD-Roms, slides and posters, staff from the World Bank, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), and partners, such as the International Monetary Fund (IMF), will address these questions through a series of interactive thematic exhibits. Throughout the week staff will be available to exchange views with you, share information and establish contacts for follow-up. The Kiosk will run from October 6 to 12, 9 a.m. - 6 p.m. daily. On October 6 and 12, respectively, it will open and close in the afternoon.

Friday, October 6
Grand opening of the kiosk. Introducing a wide selection of Bank Group publications and multi-media tools, 2-5 p.m.

Saturday, October 7
Development and the information age, 9 a.m.-noon
Restructuring of banking systems, 2-5 p.m.

Sunday, October 8
Private participation in infrastructure, 9 a.m.-noon and 2-5 p.m.

Monday, October 9
Current Issues in Oil and Gas, 9 a.m.-noon
Energy Futures, 2-5 p.m.

Tuesday, October 10
Making markets work, 9 a.m.-noon and 2-5 p.m.

Wednesday, October 11
Attracting Private Investment in Mining, 9 a.m.-noon
Competing in the New Global Economy, 2-5 p.m.

Thursday, October 12
IPAnet—the ultimate online network, 9 a.m.-noon
For more information, call (202) 473-2785

Knowledge Fair: A Marketplace of Ideas

Sunday, October 8 through Wednesday, October 11, noon-2:00 p.m.

Take a few moments at lunchtime to drop by this marketplace of ideas, tools and solutions. Meet and talk with World Bank researchers, analysts and educators. See videos and computer graphic displays that highlight the World Bank's work in development economics. Topics covered range from grassroots management training for women, to commodity booms and busts, to the institutional underpinnings of the East Asian miracle. For more information call (202) 473-7465.

Exhibit—The World Bank Guarantee: A Catalyst for Private Finance

Sunday, October 8 through Wednesday, October 11, 8:30 a.m.-5:30 p.m.

Take a closer look at The World Bank Guarantee. Learn about the Bank's newest financing instrument. Talk to project finance specialists. Follow up on issues arising out of the Guarantee seminar. For more information call (202) 473-1201.

* While access to most areas of the Sheraton will be restricted to Annual Meetings participants, staff with valid Bank/Fund IDs are welcome to attend these exhibits. The kiosks and exhibits are located on the mezzanine level of the main Annual Meetings lobby.

WORLD BANK NEWS

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

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ANNUAL MEETINGS 1995

Annual Meetings Held in Washington

Starting October 4 and running through the October 10-12 Annual Meetings in Washington, the World Bank this year sponsored a series of seminars to acquaint private investors with emerging opportunities; hosted a conference on Environmentally Sustainable Development; and scheduled top-level meetings with NGOs, including a joint press conference by Bank President James Wolfensohn and four NGO representatives.

"If we can push the institution in the direction of focusing on poverty, and there are three billion people around the world who are in a state of poverty, and we can improve our delivery mechanism over my period in the Bank, say by five percent, we can impact the lives of 150 million people. It seems to me that's pretty good leverage."

—James Wolfensohn

The Bank also set up information kiosks, exhibits and a knowledge fair at the Annual Meetings. Staff from the World Bank Group and the IMF were available at these very popular events to share information and establish contacts for follow-ups on issues such as restructuring bank systems, attracting private investments, competing in global markets and on-line services.

Innovations at this year's Meetings also affected the Development Committee: Wolfensohn requested the presence of finance ministers at sessions which in the past were devoted primarily to speeches by individual delegations, thus making more time for in-depth debate and discussion. □

Wolfensohn's Debut

Calls For Sound Policies, New Partnerships, Stronger Commitment to the Poorest

In his first address to the World Bank's governors since taking office in June, Bank President James Wolfensohn on October 10 outlined the most urgent issues facing the institution and his immediate priorities for the coming months.

He laid out the future direction of the Bank, urging new partnerships, with the private sector and non-governmental organizations, among others, and a new relationship among the Bank, donor countries and borrowers to ensure adequate resources for the world's poorest.

In a vastly changed world, Wolfensohn said, the World Bank must also change.

He outlined his immediate priorities for the coming months:

• ensure that funding for the International Development Association (IDA) is sufficient to build a better economic future for the

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Clinton addresses Plenary session.

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SEMINARS

Selected Country and Thematic Seminars

At this year's Annual Meetings, the World Bank Group launched a series of seminars designed to bring together business people, senior government officials and others. The country seminars emphasized the economic achievements of six countries and one region (Southern Africa). The thematic seminars focused on key development issues. The program seminars were primarily aimed at a private sector audience.

The World Bank Guarantee: A Catalyst for Private Finance

World Bank President James Wolfensohn opened the seminar, which was attended by over 400 financial leaders, industrialists and delegates participating in the Annual Meetings. Prominent financiers and government officials with first-hand experience with the Bank's guarantee instrument held informal discussions about their experiences.

"Events in Mexico may have tempered enthusiasm for further investment in emerging markets, but investors will not be scared off by such events."

—George Russell

"We need to build a partnership of people who are engaged in the development business," Wolfensohn said. "Private investment has become of fundamental importance and we need to see how effective we can become in meeting the needs of the private sector. We would like to see how the members of this seminar see our progress in the area of guarantees and how we can push the levels of what we are doing."

The Bank's guarantees play an important role in attracting additional private capital to emerging markets. Governments are transforming their economies by trimming expenditures, reforming the financial sector and encouraging domestic businesses to develop. Attracting private capital for large investments like infrastructure will release scarce government resources for developing high priority social sectors.

William Rhodes, Vice Chairman of Citibank/Citicorp, said: "I think you will all agree with me that the mainstreaming of guarantee operations is an idea whose time has come...It recognizes that private lenders are often quite leery of certain sovereign risks, especially those that require long-term financing."

Portfolio Flows After Mexico: The End of Innocence

Emerging markets are here to stay and represent significant opportunities for investors in industrialized countries, participants at this seminar agreed. The seminar assessed the lessons learned from the Mexican crisis and future prospects for emerging markets.

"Events in Mexico may have tempered enthusiasm for further investment in emerging markets, but investors will not be scared off by such events," said George F. Russell, Chairman of the Frank Russell Company. Russell said that, according to a recent survey, clients who had emerging markets investments prior to the Mexico crisis are still committed to this type of investment. The vast majority of those surveyed indicated that the Mexico crisis would have no significant impact on their policy allocation toward emerging markets.

Ernst-Moritz Lipp, Senior General Manager of Dresdner Bank, argued that the Mexican crisis represented a very special combination of factors and that such crises will not easily be repeated.

Other speakers argued that market players had become more discriminating.

On the role of governments, most speakers stressed the importance of long-term fundamentals. Brazilian Finance Minister Pedro Malan said that the Mexican crisis had helped speed up the process of domestic reforms in Brazil.

On the role of international financial institutions (IFIs), Malan said they need to be more forward looking, identifying crises before they appear. They also need to "lean against the wind" when markets are behaving irrationally, he added.

Market participants argued that IFIs have a major role to play in helping to develop infrastructure, improve financial integration and strengthen domestic financial institutions. IFIs could also help through guarantees of long-term investments by helping lengthen maturities.

Investing in People

Micro-enterprises and provision of credit to small businesses are among the most successful and promising new ways of helping the lowest income groups in their struggle against poverty. Participants in the seminar agreed that partnerships between multilateral aid agencies, non-gov-

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Small loans for small business.

'IDA is Central to the Whole Development Process'

MEETINGS, *from page 1*

world's poorest citizens;
- accelerate and deepen the effort to work with new partners;
- bring forward an agreed proposal on the multilateral debt issue;
- build capacity in borrower countries;
- engage the Bank in the reconstruction of societies emerging from chaos;
- launch a process of institutional change at the World Bank Group.

Following are excerpts from his speech:

A "New Compact"

It strikes me as bitterly ironic that just as we are reaching a consensus on how to address the challenges in our changing world, the threat to development assistance has never been greater...

Achieving an adequate IDA-11 for the next three years will be extraordinarily difficult if IDA-10 is reduced so drastically. This is not only a threat to IDA, it is a threat to the long-term viability of multilateral financing for development...

The donor community needs to understand the costs of an under-funded IDA. We must explain that world citizenship has a price and that IDA is central to the whole development process...

Obviously, IDA and its partners in government and civil society must be accountable—and must be seen to spend scarce resources wisely and well. There must be a "compact": that in return for the donor community ensuring that IDA has adequate resources, recipient countries and the Bank must ensure that these resources are used even more effectively. Projects must be well managed and corruption eliminated. In addition, we need to provide better information about the benefits of this important work to donor governments—and to their voters.

M Iannacci

The new World Bank president.

The Problem of Debt

We know that there are no universal solutions to the problem of overhanging debt. There must be a case-by-case approach....Roughly a quarter of the poorest countries' debt is owed to multilateral institutions. We must, therefore, review the options to address the problem of the countries which cannot escape from their debt overhang. I think you all know that the Bank and the IMF are studying the issue. Together, we expect to make some recommendations to our boards—and bring our joint conclusions to the Development Committee at the spring meetings. The issue is difficult and the options are many. But we believe that it merits serious attention and deserves a clear indication of what the Bank and the Fund can recommend.

But let me repeat: the crucial need to free up more resources—whether in reducing multilateral debt or replenishing IDA—must be matched by the track record and commitment of the recipients to sound policies and effective, transparent implementation. This must be our compact.

The Role of the Bank

The Bank Group—because it is global—is uniquely placed to assist with the networking of development experience...

The ideas are legion. The lesson is straightforward: advice is as important as money. And one of the Bank's greatest strengths is that our advice is independent. Typically, governments trust us.

Looking to the future, I see the Bank Group's central role as helping to bring all this together in a systemic approach to development: the ideas, the financing, the people—and a knowledge of all these components and of a successful development program. There is an extraordinary opportunity for this institution to leverage its unique capacity: to integrate development and make it truly sustainable.

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'We Have to Change the Way We Do Business'

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A Results Culture

We must be prepared to be held accountable—and to reward our colleagues by the tests of the market place...We must acknowledge that we operate in the new world I have tried to describe—with new clients and new demands...

To do that, we have to change the way we do business. We must focus on our clients and results, and break the armlock that, I sense, bureaucracy has placed on this institution. If we do that, then we will create a more profound change than any structural reorganization...In short, creating a results culture.

Let me outline some of my early thinking on how to get there: Externally, we can and must build stronger partnerships. Internally, we can and must be a center of excellence.

Stronger Partnerships

I know the Bank is already an experienced partner. But I believe we can go much further. And we can start by working more closely with our shareholders and donors...We must also deepen our collaboration—as we have begun to do—with the UN system, the IMF and the WTO. We can expand our cooperation with the private sector...and we can do much more to reach out to NGOs and civil society. Let me also pay tribute to the regional development banks with whom we work.

To be a good partner, we must be ready to listen to criticism and respond to constructive comment. There is no place for arrogance in the development business...I want to have a Bank which is open and ready to learn from others—and which holds itself accountable...

We must listen as we formulate our plans of action. Our friends are a great help. We cannot be fully effective, however, if our critics will not listen to us before they assess our positions and actions. Unconstructive and vitriolic criticism from outside does not help the people we are trying so hard to assist—and it creates a climate of resistance inside the Bank.

Of all our partnerships, we must remember that the most important is that with the governments to which we lend—and the people to whom we lend. It is a point worth repeating: we must get closer to our clients.

Excellence

Making development impact the measure against which we want to be judged—and judge ourselves—is my most important task. As a step toward this, we must review our personnel and reward policies, and invest more time and money in education and training—for management and staff...

We will accept nothing less than absolute standards of excellence. We wish to be the best in our business. Continual renewal of skills and constant focus on the needs of our clients will enable us to meet those standards.

A last word: I see the Bank itself, fundamentally, as a partnership—because it belongs to the world, to all of us. We who work here offer you our hard work and commitment. In return, we need your support. □

News Briefs

New Bank Liaison Office in Brussels—The World Bank will open a new office in Brussels to improve its coordination with the 15 European Union member states. The new office will enhance Bank-EU programs in Africa, the Middle East and North Africa, as well as in Eastern Europe and the former Soviet Union, according to Belgian Finance Minister Philippe Maystadt and Mark Malloch Brown, World Bank director of External Affairs.

"The new office underscores our belief in the important work of the EU in the developing world and in the countries in transition," Malloch Brown said. "The EU, for instance, is a partner in co-financing much of the Bank's projects and programs in Africa. The Bank is currently spending between $2 and $3 billion there annually, and the EU is participating in most of these activities." For more information, call David Theis at (202) 473-1955, fax (202) 522-2616.

IFC Ventures in Emerging Stock Markets, Launches Inter-Arab Rating Company—The International Finance Corporation has announced two significant new ventures to increase investor access to information on emerging stock markets: the IFC's Emerging Market Data Base (EMDB) will be calculated on a daily basis and will be distributed worldwide by Reuters. Also, the IFC will invest $1 million in Moody's Emerging Markets Service LLC, a new company which, among other services, will provide on-line information on companies, industry sectors and markets in developing countries. For more information call A. Cowan at (202) 473-9119.

Separately, the IFC is joining forces with the Arab Monetary Fund and the IBCA, the leading European credit rating agency, to set up the Inter-Arab Rating Company (IARC), a holding company that will promote and set up local rating agencies in various Arab countries. For more information, call L. Joseph at (202) 473-7700, fax (202) 676-0365.

SPEECHES

Clinton on the Podium

Praises Action for Mexico, Urges Continued Support for IDA

United States President Bill Clinton praised international action in the wake of the Mexican financial crisis and urged continued support for the International Development Association when he spoke at the Annual Meetings of the World Bank and International Monetary Fund in Washington on October 11.

"Restoring funding for IDA is one of our administration's top priorities because it is the right thing to do," Clinton said. "Of course, it serves our interests, but it is the right thing to do."

Clinton began his address by citing Mexico as an example of successful international reaction to a major financial crisis.

"Ordinarily, accomplishments of great institutions like these come slowly, yet today, the visit of President Zedillo of Mexico reminds us that in only nine months, with the help of the international community, Mexico has pulled back from the brink of financial disaster," Clinton said.

He said that Mexico is once again on the road to stability and growth, following "one of the most severe financial emergencies of the post-war era," and that, "in only seven months, Mexico was able to return to private capital markets." International financial institutions, Clinton said, gave "swift and decisive support for the [Mexican] stabilization package and played a vital role in bringing this hopeful moment to pass."

Timely support for Mexico prevented the crisis from spreading and turning into a "multinational catastrophe by arresting the spread of uncertainty throughout the world's emerging markets," he said. "In many of the nations embracing free enterprise for the first time, the very ideas that underpin market economies were thrown into doubt—into severe doubt—with the Mexican crisis."

The trend toward globalization, Clinton continued, "has far surpassed anything the great figures of Bretton Woods could have imagined....To master the challenge before us, we must focus our efforts on expanding trade, improving investment in capital flows and promoting sustainable development."

Economic interdependence is a fact of life and its goal, according to Clinton, "must be to have it benefit all people, consistent with our shared vision for a world of freedom and peace, security and prosperity, consistent with shared values of responsibility and opportunity for all people, of stronger families and stronger communities, of nations with sustainable levels of economic growth that preserve our common environment."

Clinton then turned to international financial institutions which, he said, "must continue to sharpen their focus on giving all people the chance to make the most of their lives. That means investing in education, in health care, in other programs that attack the roots of poverty."

Meanwhile, developing nations "must shoulder their own responsibilities, sticking to sound economic policy, liberalizing trade practices, creating financial markets that work, and above all, being the primary investor in the human capacity of their citizens.

"Achieving these goals will require the banks to continue reforming their own operations and striving for greater efficiency. Jim Wolfensohn is devoting all of his famous energy to that task. I thank him for it and for carrying forward the work of his fine predecessor, Lew Preston."

R. Thomas

Speaking out for IDA.

Clinton then turned to IDA and reaffirmed "the United States' commitment to helping the poorest nations of the world help themselves through our partnership in the International Development Association. It is simple: the IDA is essential. Its loans provide a crucial tool for nations that seek to escape from poverty to sustained growth. It serves our fundamental values, as well as our economic interests, by lowering trade and investment barriers, supporting private sector growth, opening the markets of tomorrow, giving people a chance to succeed."

Turning to those who intend to make "reckless cuts" to IDA funding, Clinton said that, "today's despair breeds tomorrow's conflict. Resolving the funding for dealing with today's despair will save the world and the United States a lot of money and perhaps even precious lives in the future."

He called IDA "a good investment" and added: "It is not necessary for the United States to walk away from its commitment to balance the national budget." He noted that the IMF and the World Bank have grown from 38 members to 179 members in 50 years. "But even though we are larger in number and some of us are larger and more wealthy than others, this increase in numbers does not mean that any one of us, including the United States, can afford to detach itself from the business at hand and hope others will take up the slack."

More than ever, Clinton concluded, "we must all participate in the reform of the international economic system and we must all do our part...What these institutions do in the next 20 years will have a large say in what the 21st century looks like for all the people of the world...The institutions that we honor today and that you participate in deserve and require our support. They also deserve and require our best efforts to make constructive changes, to meet the new opportunities and new challenges we face." □

Bringing Business Executives and Borrowers Together

SEMINARS, *from page 2*

ernmental organizations (NGOs) and local community groups in this field will offer great new development opportunities in the future.

"We want to see what we are learning from the micro-credit programs that extend credit directly to the poor," said Jan Piercy, US executive director of the World Bank. "The idea is to disseminate and promote this practice and to increase the dialogue between the informal sector and the formal policy-making sector of governance."

Muhammad Yunus, founder and managing director of the Grameen Bank, told the audience how the Grameen Bank was started in 1976 with loans as small as $1. Today it is a formal bank with more than 1,000 branches in Bangladesh and a staff of over 12,000. The bank has over 2 million borrowers, 94 percent of whom are women. Last year the bank lent about US$400 million in loans averaging US$140 each.

Marc Lindenberg, senior vice president of CARE USA, spoke about the remarkable growth of the national and international NGO sector in both developing countries and industrialized nations. NGOs, according to Lindenberg, are filling a vacuum caused by the economic collapse and restructuring of many developing countries. In many cases, the governmental organizations that used to cover issues like water, health and nutrition in the poorest rural areas have stopped doing so, and the end of the cold war and massive refugee flows have exacerbated the situation. NGOs, he said, have stepped in to fill that void.

Regional Seminar: Southern Africa

Business executives attending the Annual Meetings met with senior government officials from nine southern African countries in the seminar on trade and investment in the southern Africa sub-region.

The president of Samuels International of Washington, Michael Samuels, pointed out that non-African investors are taking a new look at Africa and making available investment funds in amounts that were inconceivable only a few years ago. He said that political obstacles to growth were being removed, with most of the region embarking on far-reaching political reforms. The question, he added, was whether this process could be made to benefit the region economically.

Festus Moggae, vice president and finance minister of Botswana, said the region was in a dual political and economic transition, democratizing and liberalizing on the political front, and reforming, restructuring and stabilizing on the economic front.

But Conrad Strauss, chairman of Songa Steel, Ltd. of Zambia, said some hard questions would have to be addressed if southern Africa hoped to win the contest for investment dollars: What are the chances for profit? What is the quality and cost-effectiveness of the work force? How good is the transport infrastructure? What is the nature of the tax regime? Strauss also pointed to deterrents to foreign investments such as the lack of confidence in some governments, the absence of consistency in economic policies, and the debt overhang.

M. Lindenberg

After Mexico: the end of innocence.

Country Seminar: Bangladesh

Bangladesh, whose impressive macroeconomic performance and strong track record of reforms has received little attention in recent years, was showcased at a seminar attended by government officials, private sector representatives and senior World Bank Group officials.

"Bangladesh is a country on the march, and over the past ten years, the pace has accelerated enormously...The most impressive note for investors is Bangladesh's achievements in macroeconomic stability," said former US Ambassador to Bangladesh Jane Abell Coon.

While Bangladesh has registered consistently positive growth in the 1990s, as well as improved social indicators, there remains an unfinished agenda for reform. Higher levels of private investment are needed and the banking system needs to be strengthened. Public ownership remains high in key sub-sectors including jute, textiles, steel, fertilizer, sugar and hydrocarbons.

"There is still much to be done in infrastructure finance and cutting through the bureaucratic thicket," Coon said. □

G-24 Examines Global Outlook, IMF Resources

Ministers of the Group of 24 at a meeting in Washington on October 7 stressed the need for stronger fiscal policies and structural reforms in some major industrialized countries in order to reduce deficits, foster stability in capital and exchange markets, raise global savings and enhance support for official development assistance.

The ministers, in a communiqué released after their meeting, noted that continued efforts by developing countries to liberalize and develop their economies had contributed to world economic growth and international trade expansion. They called on the international community to support these efforts.

Commenting on the increasing globalization and integration of international financial markets, the G-24 noted that although globalization has encouraged a better allocation of international savings and has stimulated investment and growth in a number of countries, increased volatility in exchange and capital markets poses new challenges. They stressed the need for industrial countries and international financial institutions to cooperate towards containing such volatility. Ministers also emphasized that the process of integrating developing countries into global capital markets should not be accelerated beyond the absorptive capacity of their domestic financial systems, adding that prescriptions for capital account liberalization should take fully into account an appropriate sequencing of reform measures.

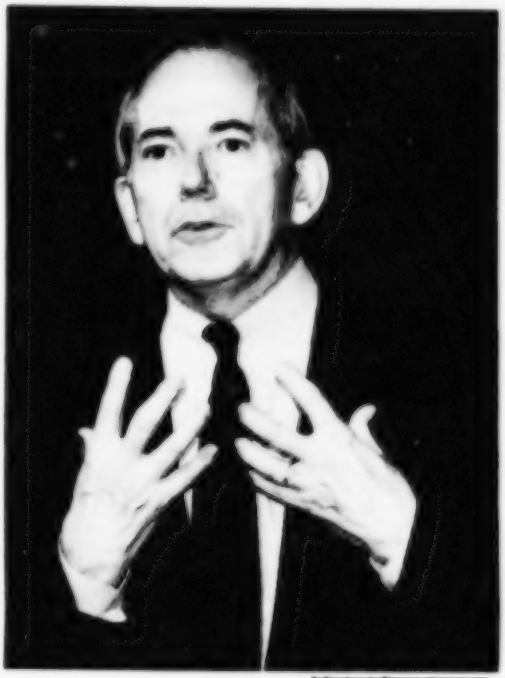
On the issue of the IMF's financial resources, ministers noted that the high volatility of capital inherent in a globalized world economy called for a strengthening of the Fund's resources and asserted that the central role of the IMF "cannot be fully effective unless the institution has adequate resources at its disposal." They expressed concern that the IMF's current liquidity position could decline considerably over the next two years in view of member countries' growing financing needs.

The G-24 said the Fund should continue

See **G-24**, *page 9*

IMF Outlook Paints Optimistic Picture

Underlying trends in the world economy are encouraging in many respects and economic policies are contributing noticeably to the favorable performance and prospects of most countries, according to the latest *World Economic Outlook* by the International Monetary Fund.



Michel Camdessus.

The report says that economic expansion has now been under way for some time in most of the industrial world, with inflation in many cases remaining at its lowest levels since the early 1960s. Preemptive tightening of monetary policies in 1994, the IMF says, has proven successful in dampening inflationary pressures in the most advanced countries. Low inflation, along with stronger efforts and commitments to contain budget deficits, have helped to reverse earlier increases in long-term interest rates, while coordinated intervention in foreign exchange markets and changes in official interest rates have helped to bring key exchange rates closer into line with fundamentals, according to the report.

Among most of the developing countries, the report continues, growth has remained particularly strong, helped by successful stabilization and reform efforts in an increasing number of countries. Confidence has been restored quickly in all but a few countries following the Mexican financial crisis and capital flows have been sustained at relatively high levels. Conditions for a pick-up in growth are also improving in many of the poorest countries, says the IMF.

The report says that the economies in transition from central planning are increasingly seeing the fruits of their adjustment efforts, with output now rising in many countries. Stronger stabilization policies in some of the countries less advanced in the transition suggest that conditions for a recovery of activity are improving there also.

The IMF, however, warns that many challenges remain. Some stem from long-standing problems including high structural unemployment and still excessive budget deficits in most industrial countries. Also, the role of market forces among developing countries and countries in transition needs to be strengthened.

The report concludes that robust growth and subdued inflation in the world economy provide excellent conditions for tackling these tasks. At the same time, the integration of world financial markets underscores the urgency of addressing weaknesses in economic policies, both for the performance of individual countries and for global economic and financial stability. □

☎For more information, *call the IMF Publications Department at (202) 623-7430, fax (202) 623-7201.*

A Growing Concern for the Environment

ESD Conference Points to Change in Thinking

More than 1,400 people came together October 4-6 in Washington for 26 separate events under the umbrella of the Third Annual World Bank Conference on Environmentally Sustainable Development, which was held in the run-up to the October 10-12 Bank/IMF Annual Meetings. The conference brought together representatives from international institutions, governments and NGOs, as well as prominent scholars, financiers, and social and ethical thinkers.

M. Iannacci

Al Gore addresses ESD conference.

"No government or community can afford to use resources ineffectively, or in a way that places a burden on future generations," said United Nations Secretary General Boutros Boutros-Ghali in a videotaped message to a standing room only audience. He spoke of the need to manage existing resources more wisely and emphasized the role of international cooperation in the promotion of ESD, through the creation of new partnerships between governments, the private sector and the financial community. "ESD must make financial sense," he said.

Ismail Serageldin, the Bank's vice president for ESD, emphasized that public funds are extremely scarce: "Never has there been a greater need to invest in environmental activities, and never have public finds been more scarce," he said, adding: "More public money is not the answer. The World Bank is calling for a re-thinking of how governments allocate resources, and is asking for new partnerships with the private sector, local communities and non-governmental organizations to meet this challenge."

Serageldin outlined the Bank's four-fold agenda since the Rio Earth Summit: the promotion of environmental stewardship though the provision of loans to new projects tackling environmental problems; ensuring that loans for other new projects are screened to ensure minimal negative impact or positive impact on the environment; the promotion of win-win environmental strategies such as investment in people through education, nutrition and health care, and in efficient use of resources; and assistance in meeting regional or global challenges.

On the closing day of the conference, Bank President James Wolfensohn strongly urged all who are concerned about poverty reduction and economic development to fight to keep the International Development Association (IDA) alive: "It is absolutely critical. Whatever divides us, we have to be united on this issue of keeping IDA open." In reflecting on the week's activities, Wolfensohn asserted that, "there is a new spirit in the Bank, a spirit of partnership."

US Vice President Al Gore told the audience at a seminar that the "radical change in the relationship between civilization and the earth" was the result of three factors: population explosion, industrialization and its byproducts, and "a change in thinking about our duty to consider the future consequences of present actions."

The plenary sessions focused on the potential cost of inaction; the role of the private and public sectors; effective financing at the global and regional levels; and the institutional dimensions of forging a new policy framework. About 120 speakers participated in eight concurrent, all-day roundtables on October 5. Four thematic roundtables examined such issues as environment and health, global ESD programs, private sector participation, and resource conservation and policy. Four regional roundtables addressed a broad range of area-specific and cross-cutting concerns linking the environment and economic development, including inequality and extreme poverty, water, the effects of debt, community participation, and issues affecting mega-cities.

"Radical change in the relationship between civilization and the earth" was the result of three factors: population explosion, industrialization and its byproducts, and "a change in thinking about our duty to consider the future consequences of present actions."

—Al Gore

The 10 associated conferences and events also brought together a remarkable array of people to discuss a wide-ranging set of issues. These included four two-day events on Ethics and Spiritual Values and the Promotion of ESD; Servicing Innovative Financing for ESD; Monitoring Environmental Progress; and workshops on environmental procedures for environmental progress and multilateral financial institutions. □

Development, Interim Committees Meet

Impending shortfalls in IDA funding present a "very serious risk to poverty reduction and economic growth in the world's poorest countries," the **Development Committee** of the World Bank and International Monetary Fund said after meeting in Washington on October 9. The committee ministers expressed great concern that potential reductions in IDA contributions would jeopardize its future and stressed the great importance donors attach to equitable burden-sharing.

The ministers urged all donors which have not done so to honor their commitments and continue the support which has marked the IDA's 35-year life, and agreed to protect IDA's multilateral character.

The 24-member committee, founded in 1974, advises the Bank and the IMF on questions of resource transfer to developing countries and makes suggestions on their implementation.

The ministers agreed that current instruments should be sufficient to bring debt and debt service for the majority of heavily indebted poor countries down to manageable levels, but warned that these may still leave a small group of countries with unsustainable debts. They requested that the Bank and the Fund continue their work on this issue, including detailed country-specific analyses of debt sustainability.

At its meeting, the committee agreed that multilateral development institutions should accelerate their investments in social sectors and poverty reduction programs; that efforts are needed to improve the composition and efficiency of public expenditures.

The ministers also urged donor governments to continue to strengthen assistance for countries demonstrating strong commitment to social sector investments and other high priority poverty reduction programs.

The IMF's **Interim Committee** met on October 8 and stressed the need to increase substantially the quota of the General Arrangements to Borrow (GAB), and expressed the hope that quotas would be doubled.

The committee also endorsed the Executive Board's decision to establish the emergency financing mechanism to respond to serious financial crises and stressed that use of this mechanism would be subject to strong conditionality. All members of the committee supported establishing a self-sustaining Enhanced Structural Adjustment Facility (ESAF) and asked the board to propose future financing possibilities at its next meetings.

C. Carneman/World Bank

G-10 Seeks New Financing

The Group of 10 ministers and governors meeting in Washington on October 8 expressed their desire to develop new parallel financing arrangements complementary to the General Arrangements to Borrow (GAB) and agreed to undertake discussions with potential participants, with the aim of reaching an agreement by April 1996.

The G-10 ministers and governors said the aim of the new financing is to double resources currently available under the GAB, through contributions from G-10 members and other countries "with the capacity to support the international financial system."

The ministers and governors endorsed a study concluding that reducing fiscal deficits would be the fastest and surest way to reverse the decline in national savings rates over the last 35 years.

The G-10 also reaffirmed the importance of strengthening safeguards against systemic risk and heard two reports: one on work now under way outlining procedures for dealing with sovereign liquidity crises; another on continuing efforts to underpin the stability of financial markets by enhancing supervision, promoting transparency through improved disclosure and fostering the reliability of payments and settlements systems. □

G-24, *from page 7*

to rely primarily on its quota-based resources and stressed that additional borrowing arrangements—including the proposal for establishing supplementary lines of credit—while warranted as transitional measures, should not substitute for an increase in quotas. Ministers also regretted the lack of progress on a new SDR allocation.

Commenting on the debt problem, the ministers reiterated their concerns about the unsustainable level of multilateral debt service for a number of low-income and some lower-middle income countries. Praising the fact that a World Bank task force was looking at a broad-based approach to the problem, ministers urged the IMF and the Bank to continue their analysis of possible mechanisms to alleviate the burden of multilateral debt. □

NGOs, Bank Set Differences Aside, Call for Full IDA Funding

Citing their shared interest and responsibility for reducing poverty, the World Bank and several NGO coalitions joined forces this week to call for full funding of the International Development Association. The heads of Oxfam International, InterAction and the Forum of African Voluntary Organizations (FAVDO) appeared with Bank President Jim Wolfensohn at the first-ever joint press conference by the Bank and NGOs.

"We are here to express solidarity and our joint and mutual concern about the alarming trend that is sweeping the US Congress and a number of governments in Europe," said Julia Taft, president of InterAction. "The trend is unmistakable; the richest nations of the world, led by the Congress of the United States, are turning their backs on the poorest of the poor."

The groups said disagreements between NGOs and the Bank were secondary to the crucial importance of a healthy IDA in the fight to promote development in the world's poorest countries.

"We still have some disagreement with the Bank on the quality of aid," said Stewart Wallis of Oxfam, "but if we don't have sufficient quantity of aid, there's nothing to argue about." Oxfam's experience in more than 80 countries, he said, shows "how vital concessional aid like IDA is."

The NGO leaders decried the cuts in IDA funding being considered by the US Congress, and the ripple effect such reductions could make in contributions from other countries. "For every dollar the United States provides IDA, the World Bank raises four dollars from other governments for investments in areas such as agriculture, education, health and the environment," said Taft.

The proposed cuts would deeply harm the work of NGOs and others laboring for grassroots progress in Africa, according to FAVDO President Abdou El Mazide Ndiaye. "Africans across the continent are struggling to consolidate new and emerging democracies and promote the growth of the private sector," he said. "However, the proposed cuts in IDA threaten these developments and undermine the empowerment of civil society, women and grassroots communities through authentic popular participation."

For Wolfensohn, the strong support of the groups marked a nexus of two issues he has stressed throughout the Annual Meetings: full funding for IDA and greater partnerships with NGOs. "This is an issue which is above any skirmishing," Wolfensohn said.

Even beyond the immediate challenge of IDA funding, the NGOs applauded a broader "sea change" they see in relations between their organizations and the World Bank. According to Oxfam's Wallis, many NGOs still want to see the Bank place more emphasis on lending for social and equity issues and less on structural adjustment programs, which they feel harm the poorest people, as currently implemented. Nevertheless, he said, many of the groups welcome recent shifts in the Bank's programs, including internal discussions on multilateral debt relief, increased lending for basic needs and more openness to outside input.

Wolfensohn expressed a determination to increase cooperation between the Bank and NGOs on numerous occasions during the week–particularly in his major Annual Meetings address Tuesday. The Bank's new president–who has met often with NGOs since taking office–predicted an increasingly close relationship. "I have no doubt that there are people in the Bank who don't like NGOs and never will–and there are NGOs who will never like the Bank," Wolfensohn said. "But I think it's a small group on either side. My expectation is that there will be a great degree of openness. We're ready to listen, we're ready to talk."

FAVDO's Ndiaye traced the progress of Bank/NGO cooperation over the last decade from a time when there was "no communication," through a period of more contact ("fighting but talking") to the present, when NGOs have meaningful input on once-closed subjects such as debt and popular participation. "We did not speak the same language," he said. "Now we hear each other." □

Bank Data Now on CD-ROM

The most comprehensive set of statistical data ever produced by the World Bank is now available on CD-ROM. *World Data 1995* features over 700 time-series indicators of national accounts, balance of payments, social, trade, external debt and financial data for more than 200 countries from 1960 to 1994, wherever data is available.

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The interface allows users to select groups of countries or to create their own groups for easy comparison of indicators. A commentary is provided on recent events and current political, economic and social conditions in each of the Bank's borrowing member countries.

World Data 1995 is updated annually and can be used on any IBM-compatible computer with a CD-ROM reader. A user's guide is included. For more information, call Brett Kitchen at (202) 458-0616, fax (202) 522-2631.

Neither Public Nor Private

Report Urges a Mix for Health, Education

The best means of providing health and education services is to allow the public and the private sectors to coexist side by side, because neither system alone can assure the highest quality, efficiency and equity in access to all strata of the population, according to a new World Bank study.

The study, *Private and Public Initiatives, Working Together for Health and Education*, debunks what it claims are widely-held misconceptions—from both sides of the political spectrum—about the alleged advantages of putting health and education in the hands of either the public or the private sector.

"Many of the biases people hold, either for or against public or private sector-oriented strategies, are not correct," the report states. "Equity, quality and efficiency are not always better or worse when government is dominant, or when the private sector has the larger role. Reality is more subtle." The only reliable way to redress this "information gap" and to arrive at appropriate solutions, the report says, "is to rely on what has worked in the past and adjust it to meet the specifics of each new or changing situation."

The world has changed dramatically in recent years, the report notes, and many decision-makers have limited information on and experience with the diversity and subtleties of issues and solutions surrounding the private sector and what it can do in the health and education fields.

What has worked best in most cases, according to the report, is a mixture of private and public health and education systems in which both sides complement each other, playing different roles.

"Governments have had a very important role in making major advances in health and education in developing countries over the years," says Jacques van der Gaag, the report's author. "But the private sector has always played and still plays a big part."

The study found that the private sector usually outperforms the public sector, where the two work side by side in providing social goods and services. Because in many instances these services can be provided efficiently by private agents such as NGOs, voluntary organizations and for-profit institutions, the report suggests that governments "should focus on what they do best" and that governments "can often serve the needs of the poor most effectively by concentrating on regulation (to facilitate access and guarantee quality) and financing."

"Equity, quality and efficiency are not always better or worse when government is dominant, or when the private sector has the larger role. Reality is more subtle."

In other words, says Van der Gaag, governments still have an important role to play in providing basic services, "but they do not necessarily have to supply the services themselves. They must be there to ensure equity and quality and to provide financing for the poor so that everyone has access to education and health."

All this includes enacting appropriate policies and regulations. This is particularly important, the report stresses, "given the public interest in ensuring appropriate investments in people."

As for the Bank's role, the report provides examples of projects aimed at arriving at whatever form of public/private mix is best for the particular circumstances in each individual country. The Bank's lending for education, health, nutrition, population and other aspects of human capital development has increased sharply in recent years. The Bank is now the world's largest financier of social services, supplying $2 billion a year for education, $1 billion for health and $200 million for population activities. Over the next three years, new commitments are expected to reach a record $15 billion. □

☎For more information, *contact Samuel Rachlin at (202) 473-7229, fax (202) 477-0848.*

World Bank

Pointing the way to a healthier future.

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OCTOBER				
18-19	Consultative Group on West Bank and Gaza	World Bank	Paris	(33-1)4069-3028
29-Nov. 1	Amman Economic Summit	Government of Jordan	Amman	(202) 473-2318*
30-Nov. 3	International Centers Week: Consultative Group on International Agricultural Research	CGIAR	Washington	(202) 473-8913*
NOVEMBER				
1	Investment Forum for Egypt, Gaza and the West Bank, Jordan, Morocco and Tunisia	UNIDO	Amman	(43)1 21131 3494
12-15	Conference on Health Reform Around the Globe	Canadian Society for International Develoment	Ottawa	(613) 230-2654
13-15	First Annual Council Meeting of International Institute for Democracy and Electoral Assistance	International IDEA	Stockholm	(46-8) 698-3700
16-17	Central American Social Investment Fund: NGO Meeting	FHIS (Social Investment Fund of Honduras)/World Bank	Roatan, Honduras	(202) 458-2532*
DECEMBER				
4-6	Seventh Annual Meeting of the Governing Council	Common Fund for Commodities	Amsterdam	(020) 6646409

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WORLD BANK NEWS

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WORLD BANK NEWS

Volume XIV, No. 38 October 26, 1995

CONSULTATIVE GROUP MEETINGS

Consultative Group for West Bank and Gaza Meets in Paris

At a critical time for Palestinians in the West Bank and Gaza, donors from 29 countries and 15 organizations met in Paris to plan development strategies for the next phase of the Israeli-Palestinian peace process. The meeting of the Consultative Group, held October 18-19, took place shortly after the signing of the Interim Agreement on self-government, with troop redeployment and preparations for early elections under way.

Thanks to significant improvements this year, donors were able to disburse almost $500 million in the first 10 months of 1995 and gave early indications that they would commit an additional $300 million at a meeting in December for "core" projects in infrastructure, housing and the social and private sectors.

The Paris meeting was described by donors as constructive, with close cooperation among participants. While the Palestinian Authority has made significant progress in improving the fiscal situation and its implementation capacity, and Israel has contributed significantly to these achievements, this progress remains fragile. Participants agreed that support for emergency rehabilitation, institution building and the Authority's budget must be maintained in 1996.

The World Bank, which hosted the donors' meeting, has played a wide-ranging role in the West Bank and Gaza since early 1993. The Bank acts as Secretariat to the Ad Hoc Liaison Committee, a body established to provide guidance to the donor assistance program, focusing in particular on budget and recurrent cost support issues. It

See **CONSULTATIVE**, *page 3*

AP Photo/N. Hamik

Housing is among top priorities.

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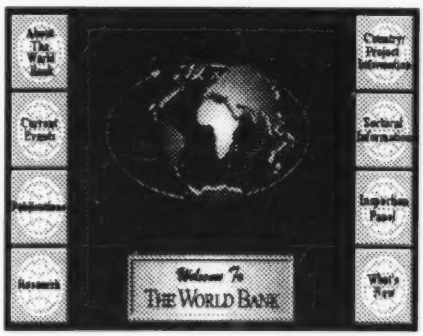

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EVENTS

Strengthening the Alliance With Japan's Private Sector

Top Japanese business leaders and World Bank officials met in Washington last week and discussed personnel exchange programs, more direct Bank relations with Japanese companies and an expanded role for the Bank's office in Tokyo.

The two-day conference was the first between a delegation of Keidanren, the Japanese private industrial association, and the World Bank Group to include the Multilateral Investment Guarantee Agency (MIGA) and the International Finance Corporation (IFC).

The Bank and Keidanren agreed on a broad exchange of staff. Japanese private companies would send staff to work at the Bank for three-year periods, and vice-versa. "This has been done sporadically in the past but there is now support for this to happen on a larger scale," said Bank Managing Director Richard Frank. "Keidanren will serve as a conduit for the Bank in Japan, to follow up on the Bank's list of targeted sectors and expertise, and to identify companies that are interested in offering or receiving staff."

Keidanren also proposed that the Bank enlarge its office in Tokyo to help intensify relations with the private sector in Japan and enhance its presence in the region. "In the near term," said Frank, "we could hold more clinics and workshops to explain what the Bank does and where." While large companies are familiar with the Bank and its affiliates, many medium- and small-sized companies are not. "We could provide more intense ways of sharing information and identifying prospective joint operations, and explaining the financial instruments provided by different parts of the group," Frank said.

The agenda at the Washington meeting, the second between the Bank and Keidanren, included the expanding role of the private sector and private infrastructure financing.

Shoichiro Toyoda, chairman of the Toyota Motor Company and of Keidanren, noted: "We cannot forget the role the World Bank played during Japanese economic recovery in terms of infrastructure investment."

M. Spiotra

Shoichiro Toyoda

Keidanren is the voice of the private sector in Japan. A private, non-profit organization founded in 1946, it represents top Japanese industrial and financial corporations.

"It is widely recognized within Keidanren that the collaborative relationship between the World Bank and Keidanren should be considered as one of the important pillars of our activities in the international arena," said delegation head Isao Yonekura.

In addressing the meeting, World Bank President James Wolfensohn stressed the importance of the partnership with the Japanese business sector: "Fifty years ago we were helping Japan in the post-war reconstruction period. Today, Japan is helping us as an important supporter, as guide and friend, demonstrating both the Japanese character and the enormous economic development in your country. I would like to deepen the partnership with Japan, to forge new ways in which we can build this partnership by talking directly to industries." □

☎For more information *on the World Bank and Keidanren, call Eriko Ishikawa at (202) 473-1795,* fax (202) 522-2653.

IFC, Japan Create Trust Fund for Private Sector Projects

The International Finance Corporation and the Japanese government have announced the establishment of a $6 million fund that will finance technical assistance for private sector projects and programs in developing countries and economies in transition around the world. The agreement, signed October 5, created the Comprehensive Japan Trust Fund, which replaces an existing fund established in 1989 with an initial contribution of $600,000 from the Finance Ministry.

The fund is referred to as "comprehensive" because it can be used in any geographical region covered by IFC and for a wide variety of technical assistance projects in member countries.

☎For more information on IFC, call Amy Conran at (202) 473-9119, fax (202) 676-0365.

World Bank Pledges an Additional $90 Million for Palestinians

CONSULTATIVE, *from page 1*

chairs the Consultative Group and is co-chair, with the UN and Norway, of the local Aid Coordination Committee.

Earlier this month, the Bank pledged an additional $90 million for Palestinians. The Bank's current operations include a $128 million emergency rehabilitation project, an education and health rehabilitation project and two multi-donor grant trust funds: the $25 million Technical Assistance Trust Fund and the $180 million Holst Trust Fund.

The meeting participants endorsed the Palestinian Authority's stated priority of meeting immediate rehabilitation needs, along with expansion of capacity in health and education. Donors further noted the past and present contributions of non-governmental organizations (NGOs) and agreed on the need to create a suitable NGO funding mechanism and for maintaining a pluralistic NGO environment in the West Bank and Gaza.

The Palestinian Authority has proposed a Public Investment Program of some $1.32 billion to be implemented over the next three years. The program has four main components: investments in infrastructure (59% of the program); investments in facilities and equipment for social sectors (29%); public investments aimed specifically at kick-starting private sector activity (10%); and a modest provision for the acquisition of fixed capital assets for central institutions of the Palestinian Authority (2%).

The World Bank's strategy for lending operations in 1996-98 emphasizes assistance in providing basic and social infrastructure and support for the private sector. More than a dozen projects in these areas have been identified. The project proposals, developed in close consultation with the Palestinian Authority, cover such areas as the provision of off-site infrastructure for industrial estates, rehabilitation of the electricity transmission and distribution system, upgrading of the primary road network in Gaza, small-scale infrastructure rehabilitation, enhancement of water and wastewater utility management and housing and mortgage financing, particularly for low-income households.

The Bank has, at the request of donors, continued to administer the Holst Fund, the channel for the bulk of donor support to finance the Palestinian Authority budget deficit. Donors pledged some $2.4 billion in assistance to the West Bank and Gaza for 1994-98, of which $1.56 billion were pledged for 1994 and 1995. Of these pledges, some $1.4 billion have been committed to specific activities and $795 million disbursed to date.

The economic condition of the West Bank and Gaza remains difficult. Tentative estimates suggest that GNP grew by less than 3% in real terms during 1994 and may grow 3% to 4% in 1995. If population growth is included in the projections (with Palestinians returning to the West Bank and Gaza from other areas), the per capita GNP will decline slightly in real terms this year. The revised deficit projection for 1995 as a whole is $101 million, significantly lower than originally projected.

Assuming that these trends continue, open unemployment for 1995 as a whole is expected to climb to about 25% of the labor force and is projected to remain in the 20% to 30% range for the next three to four years. □

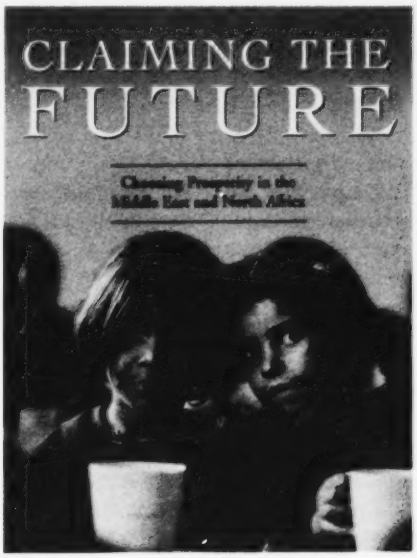
☎ For more information, *call Jeannie Yamine at (202) 473-2318, fax (202) 477-7978.*

PUBLICATIONS

Choosing Prosperity Over Poverty in the Middle East

Reforms Key to the Future, Report Says

For too long, countries in the Middle East and North Africa (MENA) have squandered their potential. Decades of war, political instability and over-dependence on unstable oil revenues have combined to limit the effectiveness of national and multilateral development efforts. These years are over, and the time has come for the region to choose, through policy reforms, whether to be rich or poor. This is the assessment of a new World Bank study, *Claiming the Future: Choosing Prosperity in the Middle East and North Africa.*



The report, which includes a historical view of regional policy developments, argues that an outward-looking policy that seeks full participation in the global economy can overcome the challenges of the past. Moreover, it argues that peace, increasing political stability, and democratization have created the conditions in which such policy can be pursued.

"The countries of the Middle East and North Africa have the potential to

See **REPORT**, *page 4*

Attracting Foreign Capital Crucial in Middle East

REPORT, *from page 3*

double incomes, increase life expectancy by close to 10 years and cut illiteracy and infant mortality by almost half, all by the year 2010," said Caio Koch-Weser, vice president of the MENA region of the World Bank. But in order to do this, the countries in the region must turn their backs on past policies based on massive investments in state-owned enterprises. Instead, they must turn their attention to fundamental economic reforms and basic human resource development.

The report outlines four essential steps toward macroeconomic stability and increased growth: promoting non-oil exports, making the private sector more efficient, producing more skilled and flexible workers, and reducing poverty through faster growth.

These reforms are aimed at improving the investment climate in the region and attracting foreign capital, a goal the report defines as central to turning the region around. Private financing will follow if progress is made on structural reforms, and donors have shown a willingness to finance the short-term costs of such reforms. "The central issue for governments is to have a credible long-term strategy and to sequence a set of priorities in the interim to realize the vision of a prosperous future," said Koch-Weser.

The Costs for Reforms

The region presents a mixed picture of development and growth. Despite this, the report finds that there has been overall consistency in one area: countries that have undertaken serious economic reform have seen positive results. It cites Jordan, Morocco and Tunisia as examples: "Since launching their adjustment programs in the 1980s, these three countries have had faster growth in incomes, exports and jobs than their neighbors." More fundamentally, however, ambitious reform is necessary to raise living standards of the region's poorest. Rapid population growth adds urgency to the need for reforms.

Some numbers tell the story: while the region's population is growing at 2.7% a year, the labor force is growing at 3.3%; jobs for 47 million new entrants to the labor force will have to be found by 2010; the number of unemployed, now about 9 million, will rise to 15 million by 2010 at today's growth rates.

Reforms, however, will cost jobs and reduce consumption during the transition. Without additional external support, this could mean a 1-2% loss in per capita consumption and a 3% rise in unemployment. But the absolute costs of implementing some of the reforms outlined in this report "are fairly small." For instance: providing a package of basic health care interventions would cost less than 0.5% of the region's GDP, and eliminating the gender gap in education would cost less than 1% of GDP.

The Time is Now

The Middle East is at a turning point. Recent political developments are encouraging to both peace and economic growth. The rapidly changing global economy, the successful completion of the Uruguay Round and the implementation of the World Trade Organization all present opportunities and challenges for the Middle East and North Africa. *Claiming the Future* conveys this sense of opportunity and challenge, and suggests concrete steps to restore prosperity to the region. □

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LENDING

Oil Spill Clean-up Successful

Almost all of the oil from last year's massive spill in the Komi Region of Russia has been cleaned up, preventing an environmental catastrophe in the fragile Arctic environment, World Bank officials announced at a joint press conference in Moscow.

Efforts by the Russians and the international oil spill cleanup contractor were "a miracle of man to save nature," said Jonathan Brown, the World Bank division chief for infrastructure, energy and environment. "We were confident that we could reduce the amount of oil in the rivers, but we never expected to contain all of it."

Attending the press conference were officials of the regional oil company, Komineft, and of the international cleanup contractor, AES/Hartec. They announced that 94 % of the more than 100,000 tons (730,000 barrels) of spilled oil have been cleaned up, remaining oil residues have been contained and the threat of pollution of the Kolva and Usa rivers has been averted.

"This is an immense victory for the Komi environment, local villages and the Russian people," said Yuri Baydikov, Komineft's chief engineer.

The remaining oil will be recovered next spring, when weather will once again permit the resumption of operations.

The oil spill, caused by leaks in the Usinsk regional pipeline, flooded 170 acres (69 hectares) of tundra, including six streams and dozens of creeks, when temporary dikes and dams constructed to contain the oil failed in autumn 1994. The spill threatened river basins, salmon-rich waters and the health and livelihood of local communities.

A crucial phase of cleanup operations came in spring because of the danger of floods caused by thaws, which can raise water levels by as much as 30 feet. But round-the-clock crews won their race against time, dike and dam failures were averted and cleanup work continued through the summer. □

☎For more information, *contact Jan Pakulski at (202) 473-1797.*

Date	Event	Sponsor	Location	Telephone
OCTOBER				
29-30	Conference on Privatization of Agriculture Services	World Bank	Lahore Univ., Lahore Pakistan	(92-42) 57 22670
30-Nov. 3	International Centers Week: Consultative Group on International Agricultural Research	CGIAR	Washington	(202) 473-8913*
NOVEMBER				
1	Investment Forum for Egypt, Gaza and the West Bank, Jordan, Morocco and Tunisia	UNIDO	Amman	(43)1 21131 3494
12-15	Conference on Health Reform Around the Globe	Canadian Society for International Development	Ottawa	(613) 230-2654
13-15	First Annual Council Meeting of the International Institute for Democracy and Electoral Assistance	International IDEA	Stockholm	(46-8) 698-3700
16-17	Central American Social Investment Fund: NGO Meeting	FHIS (Social Investment Fund of Honduras)/World Bank	Roatan, Honduras	(202) 458-2532*
20	Conference on Regional Prospects for Economic Development	Middle East Institute/ World Bank	Washington	(202)473-2818*
30-Dec. 1	Donors' Meeting for Viet Nam	World Bank	Paris	(33-1)40693011
DECEMBER				
4-6	Seventh Annual Meeting of the Governing Council	Common Fund for Commodities	Amsterdam	(020) 6646409

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ARGENTINA

The World Bank approved a $16 million loan on October 24 to help finance a forestry development project in Argentina. The funds will provide support to the creation of policy, legal and regulatory frameworks and the production and dissemination of information on output from forest plantations and timber processing industries. It will also target directly—through technical assistance and grants—groups of small farmers to improve farming practices, and will complete a comprehensive study of the Patagonia region, focusing on the development of the state's role in helping to prevent soil erosion and destruction of natural habitat. For more information, call Mario del Carril at (202) 473-6189, fax (202) 522-3698.

Argentine oil companies have had access to the international capital markets for medium-term funding, but they have faced tighter international credit conditions throughout most of 1995. The International Finance Corporation (IFC) on October 12 signed a $70 million financing agreement with Bridas SAPIC to assist in the development and recovery of oil and gas properties and the implementation of a new exploration program. The project will also help position the company to take advantage of good regional export opportunities in natural gas and strengthen regional economic integration. For more information, call Mauricio Perea at (202) 473-7995, fax (202), 676-0365.

INDONESIA

Indonesian leasing and financing companies suffer from a shortage of debt funding and have difficulty channeling funds to small- and medium-size enterprises. IFC signed an agreement on October 2 to provide a long-term loan of $10 million to P.T. Panin Overseas Finance, a financial services company which will use the proceeds to finance small and medium companies. P.T. Panin Overseas Finance is a public company affiliated with Panin Bank, the ninth largest private bank in Indonesia, and is listed on the Jakarta stock exchange. For more information, call L. Joseph at (202) 473-7700, fax (202) 676-0365.

JORDAN

The World Bank has approved an economic reform and development loan of $80 million to help Jordan address the constraints on its long-term growth imposed by the limitation of its small domestic market. The loan, approved October 24, will enable closer integration with international markets and the establishment of an investment-friendly environment by helping to remove remaining trade and investment barriers, thus paving the way for closer trade relations with the European Union and accession to the World Trade Organization. A further objective is to support the adoption of trade and investment procedures and practices consistent with international practices and WTO requirements. For more information, call Jeannie Yamine at (202) 473-2318, fax (202) 477-7978.

VIET NAM

IFC has signed an agreement to provide $96.6 million in loans to Morning Star Cement Ltd. (MSC) for a $309 million greenfield cement project in Viet Nam. The Export-Import Bank of Thailand and Nissho Iwai together will arrange an additional $90 million in loans. The total loan package of $186.6 million, signed October 21, is being provided on a limited recourse basis and without government-guaranteed repayment. MSC is scheduled to begin production in 1998 with a total capacity of 1.8 million tons of cement a year, more than one-third of the country's present production capacity. For more information, call L. Joseph at (202) 473-7700, fax (202) 676-0365.

WORLD BANK NEWS

Stefano Petrucci, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

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WORLD BANK NEWS

Volume XIV, No. 39 November 2, 1995

REPORTS

Cleaning Up Pays Off, Bank Says

Results are Higher Production, Lower Costs

Improving air quality in 18 of the largest and most polluted cities of Central and Eastern Europe (CEE)[1] would save at least 18,000 lives and more than 65 million working days lost to illness, according to a World Bank study released at the third ministerial conference on the Environment for Europe, held in Sofia, Bulgaria October 23-25.

According to the study, more than 50 million people live in towns and cities throughout the region where air quality is very poor. As a result, 30,000 more people die each year and 200 million more days are lost to illness than would be the case if these cities met European Union guidelines for air pollution.

A program to improve air quality would soon pay for itself through increased productivity and lower medical costs, as fewer work days are lost to illness and as the number of people needing treatment for respiratory illnesses is reduced, says the study.

Since 1990, significant progress has been made in reducing emissions from large industrial plants, partly because of a drop in production but also thanks to cleaner technologies, especially in the lead and copper industries. However, children in CEE countries continue to be exposed to very high levels of lead pollution, which now comes mostly from leaded gasoline. Although the average exposure to dust emissions and small particles in heavily polluted areas has

See **ENVIRONMENT**, *page 4*

Stephen Lifner

Air pollution soars in Central, Eastern Europe.

Helping Central and Eastern Europe Make a Cleaner Transition

The serious danger to human health posed by pollution is rapidly becoming the single most important environmental concern in the countries of Central and Eastern Europe (CEE)[1] as they make the difficult transition to market economies.

Heavy industrial production in CEE has dropped slightly in recent years. But at the same time, there has been a massive increase in other sources of pollution, such as vehicle emissions. With industrial production beginning to rise again, the problems that have been accumulating for decades now risk being compounded by polluters large and small operating in countries with limited environmental enforcement capacity.

Since 1990, the World Bank has been helping CEE countries tackle their environmental problems. It was among the leading contributors to the development of a new strategy, called the Environmental Action Programme for Central and Eastern Europe

See **EAP**, *page 4*

1. CEE includes 25 countries in Central and Eastern Europe and Central Asia.

INSIDE ...

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Development agenda, page 6

Seniors for Development

Bank Helps Retirees Volunteer Their Expertise to Developing Countries

Australian Alf Eden says the best part of his career came after his career was over. Not long after retiring from 30 years' work as an engineer, Eden volunteered his experience to help improve the teaching at an agricultural and trade school in Micronesia. "The most rewarding experience of my life," he says.

In Colombia, a floundering dairy processor was so well served by on-the-scene advice from a retired British dairyman that the Colombian government eventually asked him to help rewrite national milk regulations.

Around the world, more and more businesses and governments in developing countries are tapping into a rich, largely unused reserve of expertise: the thousands of retired executives, technicians, academics and administrators who are willing and more than able to volunteer their expertise and skills. Organized in volunteer groups in several industrial nations and available for assignments lasting from weeks to years, these "senior advisers" are poised to play a significant role in the transfer of technology, entrepreneurial skills and modern management to emerging and transitional economies.

In order to better match the skills of retired experts with the needs of developing countries, the World Bank joined with several volunteer groups and, on October 25, announced the formation of the world's largest network of senior volunteer management assistance. The new organization, Senior Volunteer Advisory Services (SVAS), mobilizes the resources of nine volunteer groups from around the world, producing a roster of more than 32,000 retired volunteers with a total of more than half-a-million years of experience.

"This opens an enormous new window for developing countries, as they realize they can acquire all this knowledge from these experienced people," said Elkyn Chaparro, senior adviser to the Bank's vice president for Finance and Private Sector Development. "This is going to be very important; I think we're just scratching the surface by bringing in these new partnerships."

SVAS and Bank officials have already met to stake out areas in which senior volunteers can play a role in Bank projects throughout the developing world. Given the private sector expertise of the volunteers, they could bring management advice directly to individual enterprises or technical know-how straight to factory floors; they could help create links between businesses in industrial and developing countries, provide information services crucial to markets, or help strengthen democratic institutions and non-governmental organizations.

Around the world, more and more businesses and governments in developing countries are tapping into a rich, largely unused reserve of expertise: the thousands of retired executives, technicians, academics and administrators who are willing and more than able to volunteer their expertise and skills.

Many of the volunteers are women, who could help empower women in developing country businesses, and many are former government officials, ministers of finance, civil servants, mayors, who are prepared to form mentor relationships with their counterparts in developing countries.

The partnership with SVAS, according to Chaparro, is part of the Bank's increasing efforts to broaden cooperation with outside groups, and to act as a bridge between developing country needs and private sector resources. SVAS will give the Bank's clients access to new tools when they have specific private sector problems. "We'll be able to say in some of these cases, 'this is not our expertise, but we *can* put you in touch with this whole network of experts,'" Chaparro said.

The Bank will work with SVAS in four main ways:

- It will help increase the pool of available talent by facilitating the creation of networks of volunteer experts and new organizations in developing countries.
- It will use its global reach to inform both sides of the needs and resources of the other, briefing the volunteer network on the specific problems faced by Bank clients and informing developing countries about available assistance.
- It will finance some of the costs of placing volunteers in the field. Typically, the volunteer organization pays for transportation, while the host enterprise or government funds local costs, such as food and lodging.
- It will foster participation between the volunteer network and NGOs and other partners in the development process.

SVAS is made up of senior volunteer organizations from Australia, Austria, Canada, France, Britain, Germany, Italy, the Netherlands and the United States. □

☎For more information *call David Theis at (202) 473-1955, fax (202) 522-2616.*

LENDING

More Power for Uruguay

At the beginning of this century, Uruguay was a small but prosperous country. Today, it still displays a considerably high level of development. It has a small population of just over 3 million people who live mostly in urban areas, are well-educated and have a per capita income above the Latin American average. The country still enjoys an income distribution that compares favorably with that of developed countries.

But for more than four decades now, Uruguay's economy has not used its full potential or the opportunities provided by regional integration, nor has it fully recovered from the recession of the 1980s. Gross fixed investments have remained low, growth has been limited and capital stock is still seriously eroded. A 4.2 percent growth in GDP in 1994 was fueled mostly by strong capital inflows that boosted consumption and imports. And the private sector, a crucial component of recovery, has had great difficulties in expanding.

Unreliable power supply is among the leading factors undermining private sector development in Uruguay.

One of Uruguay's major handicaps is its energy resources, which are severely limited. The country has no known oil or gas reserves and only very small reserves of low-quality coal. Its hydro-power sources are virtually exhausted—88 percent of all possible hydro-potential is already utilized—and the remaining potential hydro-capacity is not economically viable. Thus, the country has to rely on oil imports to cover 55 percent of its energy requirements.

A recent World Bank study found that Uruguay's unreliable power supply is among the leading factors undermining private sector development, which is critical for expanded trade opportunities within the common market among Argentina, Brazil, Paraguay and Uruguay (MERCOSUR).

To address these needs, the World Bank approved a loan on October 31 of $125 million, including $3 million in retroactive financing, for a project to improve electricity distribution, promote changes at the national power company (UTE) and to boost energy efficiency and customer safety.

Included in the project, for which the total financing requirements are estimated at $228 million, are the renovation of two power transformers and other equipment; expansion of the transmission system and renovation of the distribution system in

See **URUGUAY**, *page 4*

Donors Pledge Continued Support for Peru, Praise Reforms

At a meeting in Paris October 24-25, donor nations and international institutions praised the Peruvian government for its economic reforms and anticipated they will grant additional loans and technical assistance of more than $900 million to the Latin American country in 1996.

The Consultative Group for Peru—comprising 11 donor countries and 13 international institutions—commended the administration of President Alberto Fujimori for its progress in economic and social reforms, and urged it to continue to strengthen democratic institutions, improve the environment and fight drug trafficking.

UNICEF/Fran Antmann

A day-care center in Peru.

The group stressed the importance of resolving Peru's heavy debt burden and increasing domestic savings and tax collection in order to maintain a stable macroeconomic environment. It expressed particular interest in debt conversion schemes to assist social and environmental programs (such as debt-for-environment swaps) and renewed support for the promotion of alternative agricultural opportunities for coca growers.

Donors emphasized the need for decentralization and community participation, and supported other institutional reforms—especially at a local level—in education, health and nutrition services. More jobs, especially in the rural highlands, were cited as necessary.

Peruvian Finance Minister Jorge Camet said the government remains committed to stabilization and structural reforms in order to reduce extreme poverty by half by the end of the decade, promote economic growth for all members of society, strengthen institutions and make public spending more efficient.

Fujimori introduced economic reforms in 1990. Since then, inflation has dropped from 7,600 percent to 10 percent, tax collection has increased from 5 percent of GDP in 1990 to more than 13.5 percent of GDP this year, and the economy grew about 13 percent in 1994.□

☎For more information *call Mario del Carril at (202) 473-6189, fax (202) 522-3698.*

Preparing a Healthier Future

EAP, *from page 1*

(EAP)[2], which places great emphasis on the effects of environmental degradation on human health. The EAP moves beyond total reliance on investments in addressing environmental problems and stresses the importance of national and regional policies, local participation and collaboration among donors.

Today, "much has been accomplished, but much more still needs to be done," according to a new report, *The World Bank and the Environment in Central and Eastern Europe*. The report summarizes the Bank's activities in assisting CEE countries implement the EAP and provides ample proof of the strategy's success. It was prepared for and distributed, along with a study on the effects of pollution on health (see accompanying article), at the third "Environment for Europe" ministerial conference in Sofia, Bulgaria, last month.

The report lists four major areas in which the Bank has operated: formulating national strategies; reforming policies and strengthening both institutions and public participation; financing investments; and collaborating with donors.

Thanks to its vast experience as a worldwide consultant, the Bank has been able to help 11 CEE countries develop environmental strategies and action plans. Six others have expressed interest in doing so.

Strengthening institutions is described in the report as "a prerequisite for effective environmental management." The Bank's partners in these efforts include ministries, regional authorities, non-governmental organizations, local utilities and communities.

To date, the Bank has committed $1.3 billion to help finance 12 free-standing environmental projects in CEE and has supported environmental components or objectives in another 27 projects (six of these are supported by the International Development Association, which provides interest-free credits to the poorest countries). As an implementing agency of the Global Environmental Facility, the Bank is financing $119 million for 19 projects supporting biodiversity, climate change and the phase-out of ozone-depleting substances.

Partnerships among CEE countries, international financial institutions, bilateral donors, domestic intermediaries and private investors "facilitate the most effective use of available resources," says Anil Sood, director of the Technical Department of Eastern and Central Europe, Middle East and North Africa at the World Bank. To put theory into practice, Sood adds, an adhoc Project Preparation Committee was established and has been very successful in coordinating donor activities and securing project financing.

The report concludes that CEE countries must continue to focus on the effects of environmental hazards on human health, giving top priority to lead and heavy metals pollution, airborne dust, sulphur dioxide and drinking water contamination. □

ENVIRONMENT, *from page 1*

dropped 10 to 15 percent, it still remains a major problem in much of the region.

The key environmental priorities for CEE today are: reducing exposure to air pollution in urban areas; phasing out leaded gasoline; providing access to clean water and sanitation for the rural poor in Central Asia; and sustaining improvements in the treatment of urban water supplies. The study stresses that the World Bank is committed to working in partnership with governments, private businesses and NGOs in the region to find and implement solutions for these problems, in order to raise the quality of life of those currently affected by environmental damage.

The Environment for Europe conference reviewed progress in the implementation of the Environmental Action Programme for Central and Eastern Europe (EAP)[2]. □

☎For more information *contact Jan Pakulski at (202) 473-1797, fax (202) 522-2633.*

2. The EAP was created by the World Bank, the European Commission and the Organization for Economic Cooperation and Development in 1993. Endorsed by 50 countries, it provides a strategy for integrating environmental concerns into the economic transition of CEE countries.

Third Power Project Under Way

URUGUAY, *from page 3*

Montevideo; and technical assistance and training.

The project is not expected to have adverse environmental effects, since the majority of work involves renovations or substitutions of existing facilities.

Current tariff levels would allow UTE to generate sufficient cash to fund its participation in the project, which comes to $103 million. The utility's financial situation is satisfactory and is expected to improve.

UTE's performance in previous projects was somewhat slow, notably because of lengthy procurement procedures in Uruguay. Performance has improved considerably, however, thanks to the lessons learned, procurement has moved rapidly and the project unit has been strengthened.

UTE is currently implementing two Bank-funded projects. The first involves the rehabilitation of the Gabriel Terra Hydroelectric Plant and the expansion of the plant's transmission and distribution capacity. The project was initially delayed by problems in mobilizing the required external financing, but all the equipment has been procured and construction is under way, to be completed in December 1996.

The second project involves the installation of a thermal plant, an institutional development program and improvements in the distribution network. The plant was installed one year ahead of schedule; the development program has brought important changes to UTE, which now has a much better corporate structure; and the distribution network has already reduced the average length of power failures to less than four hours from 16 hours previously. □

☎For more information *call Mario del Carril at (202) 473-6189, fax (202) 522-3698.*

Time Running Out for Pakistani Agriculture, Report Warns

Agricultural production, the backbone of Pakistan's economy, is likely to stagnate unless a series of reforms are put into place soon, a new World Bank study warns.

"For 25 years, agricultural growth has been a key source of the growth in Pakistan's GDP, but momentum may be running out," says Rashid Faruqee, author of the report and principal economist at the Bank's Agriculture Operations.

The report, *Structural and Policy Reforms for Agricultural Growth: The Case of Pakistan*, was released October 29 at a major conference on privatization of agricultural services, held at Pakistan's Lahore University of Management Sciences.

The conference brought together policy-makers, senior World Bank officials, academics, agriculture experts and representatives from the private sector.

Agriculture accounts for 20 percent of Pakistan's GDP; it employs more than half of the country's labor force and earns—directly or indirectly—70 percent of its export revenues. Yet past sources of growth have all but run their course, and future growth will depend on increasing productivity, which requires fundamental changes in systems, policies and institutions, according to the report.

"The role of the public sector in agriculture should be substantially reformed," says Faruqee. "Where market failure is not an issue and government inefficiencies are evident, the government's role should be drastically reduced."

The report and the conference came at a critical time for Pakistan. Agricultural growth in the country has been sustained at an impressive rate of 3 percent a year over the last three decades. It has provided a significant boost to economic growth, averaging 6 percent since the 1960s, and played a special role in trade, poverty reduction and environmental protection.

But advances in agricultural technology have changed and what once worked in the 1960s, 1970s or even 1980s can no longer guarantee sustained growth.

World Bank

Boost production or fall behind, says report.

The need for reform is even more acute given Pakistan's enormous potential. The report finds that if policy distortions and public sector interventions are removed, the country has the capacity to increase productivity of major crops such as wheat and rice by 30 to 50 percent.

The impact of policy distortions in Pakistan is particularly evident when compared to countries that pursued different policies. The report looks to East Asia and finds that a mix of fewer biases against agriculture, plus rural investment, promotes agricultural growth and rural poverty reduction.

The report outlines four areas of priority action if Pakistan is to reach its agricultural potential:

- Expand the role of the private sector and reduce the role of government, also in areas such as imports and fertilizers.
- Reform institutions responsible for irrigation and introduce market pricing for water. Reforms should involve public utilities on the supply side and water user associations on the demand side, with the market monitored by a powerful regulatory authority.
- Expand technology and best farming practices in four ways: establish closer links with research institutions; reduce the number of front-line extension workers, making them more responsive to the needs of farming systems; provide consulting services by research institutes to better-off farmers on a cost-sharing basis; and educate farmers about available technology and better farming systems through the media.
- Reform land distribution. In the short-term, provide protection from arbitrary eviction, enforce property rights by streamlining land registration and records, and eliminate government incentives to large landowners. In the long-term, Pakistan will have to tackle the thorny issue of land reform, and should initiate a complete study of costs and benefits of land reform. □

☎For more information *call Rebeca Robboy at (202) 473-0699, fax (202) 522-0321.*

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NOVEMBER				
8-10	Special Program of Assistance Country Meetings and Plenaries	World Bank	Paris	(33-1)40693011
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13-15	First Annual Council Meeting of International Institute for Democracy and Electoral Assistance	International IDEA	Stockholm	(46-8) 698-3700
16-17	Central American Social Investment Fund: NGO Meeting	FHIS (Social Investment Fund of Honduras)/World Bank	Roatan, Honduras	(202) 458-2532*
20	Conference on Regional Prospects for Economic Development	Middle East Institute/ World Bank	Washington	(202)473-2818*
30-Dec. 1	Donors' Meeting for Viet Nam	World Bank	Paris	(33-1)40693011
DECEMBER				
4-6	Seventh Annual Meeting of the Governing Council	Common Fund for Commodities	Amsterdam	(020) 6646409
10	Seminar on Savings Behavior and Products	Epargne Sans Frontière/ Centre National des Caisses d'Epargne et de Prevoyance	Paris	(33-1)4800-9682

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

WORLD BANK NEWS

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WORLD BANK NEWS

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A Miraculous Beginning

East Asian Development Has Only Just Begun, Bank Says

The East Asian economic "miracle" was no miracle and the vast majority of people in the region are much closer to the beginning than the end of the development process, according to World Bank Vice President for East Asia and the Pacific, Russell Cheetham.

The "miracle," Cheetham told a conference of the Banker's Association for Foreign Trade in Hong Kong on October 30, was no more than "the product of very high investments in capital and skills into a favorable environment." Furthermore, Cheetham said, "for many countries, the challenges ahead exceed those already passed," and most of East Asia's population still lives in relatively poor countries.

Today, four major obstacles must be overcome if sustained growth is to be maintained, Cheetham said. These are: meeting infrastructure needs, developing modern, market-based institutions, managing the environment and dealing with poverty, human resource development and social security.

First, a massive expansion of infrastructure would have to be accomplished, at a cost of up to $1.5 trillion in the next decade. This is crucial if trade is to grow and if the soaring demand for power, telecommunications, transport, water, sanitation, food and other supplies is to be met.

Second, modern market-based institutions must be developed. Financial sector institutional development is crucial for the development of all economies in the region.

Third, the international community must help tens of millions of people across the region break out of absolute poverty. A rapidly expanding urban population also needs help in acquiring the skills needed by modern economies and by health and social security systems.

Fourth, greater efforts must be made to prevent environmental degradation from undermining sustainable development. The

See **EAST ASIA**, *page 3*

Peter Stephens

East Asian boom has a long way to go.

INSIDE ...

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Wolfensohn Visits Asia, Europe, Attends Rabin Funeral

One day after completing a 10-day trip to Europe and Central Asia, World Bank President James Wolfensohn traveled to Israel on November 5 to attend funeral services for slain Israeli Prime Minister Yitzhak Rabin and vowed that the Bank will intensify its efforts in the Middle East.

"All of us in the World Bank who have worked with Yitzhak Rabin, Israel, the Palestinian people and their neighbors in the region to assist in bringing the development that must follow peace in the West Bank and Gaza, pledge to redouble our efforts in the wake of this tragic event," Wolfensohn said.

"Peace has lost a friend and the world a great leader," he said of Rabin, who was assassinated November 4.

Wolfensohn had returned to Washington the previous day from a visit to Russia, Hungary, Albania and Uzbekistan. In Uzbekistan, he surveyed the Aral Sea from the air and spoke with fishermen who are trying to eke out a living from its rapidly shrinking waters. In Samarkand, the leaders of different religions gathered with him in an unusual and emotionally charged encounter.

His agenda in the four countries included meetings with top government officials, parlimentarians, members of the academic, business and local communities, project officers and beneficiaries. He also met religious leaders and representatives of non-governmental organizations. In the countries he visited, Wolfensohn also met with staff of the Bank's resident missions.

In Russia, Wolfensohn announced that the World Bank was prepared to expand its assistance in three areas in particular: restructuring the coal sector, strengthening social protection mechanisms—including health and education—and reforming agriculture. The International Finance Corporation (IFC) will continue to provide advisory assistance on land reforms and capital market development and to finance viable private sector investment projects, he said.

"We are happy to be working with the government in their efforts to realize Russia's growth potential and in the acceleration of the process of structural and institutional reform," he said. "Russia's transition to a market economy is indeed impressive and the World Bank Group is proud to be associated with this process." He added that Russia is moving toward establishing a stable and transparent legal and regulatory framework, sound banking institutions and efficient tax structures, "all of which are necessary for successful restructuring."

Wolfensohn was slated to meet Russian President Boris Yeltsin during his visit but did not do so because of Yeltsin's illness.

Wolfensohn noted that the World Bank Group so far has committed nearly $5 billion for 19 projects financed by the World Bank and 16 by IFC and that, "with successful stabilization in sight, the Bank is well-placed to play a leading role in supporting the government's structural reforms over the coming years."

Russia is among the major shareholders and borrowers of the 179-member World Bank Group. It is also an important contributor to the International Development Association, the Bank affiliate that provides concessional loans to the world's poorest countries.

On November 1, Wolfensohn flew by helicopter to the small Uzbek fishing village of Uchsai, which is struggling to survive on the rapidly retreating shores of the Aral Sea. The Aral is an inland sea between Kazakhstan and Uzbekistan that is fed by two rivers which, because of excessive irrigation, currently feed practically no fresh water into the sea.

In his first-ever visit to Hungary, Wolfensohn visited the country's first digital telephone communications center at the Hungarian telecommunications company, in which both the Bank and IFC are involved.

"Today, Hungary stands at the center of the efforts in Central and Eastern Europe to make the transition from socialism to democracy and a market economy, and I have come to listen and to learn, not only

See **WOLFENSOHN**, *page 3*

Jan Pakulski

Wolfensohn meets religious leaders in Samarkand, Uzbekistan.

Majority in East Asia Still Live in Poverty

EAST ASIA, *from page 1*

annual cost of air pollution in Bangkok, for instance, is estimated at $2 billion. "Polluting first and cleaning up later makes neither environmental nor economic sense," Cheetham said.

He warned that past rates of growth should not be taken for granted and that "decades of development" still lay ahead for some of the region's star achievers, including Malaysia, whose government estimates it will take until the year 2020 to reach industrialized status.

Bank figures show that, excluding high income economies, 80 percent of East Asia's population, or about 1.3 billion people, live in low income countries (with per capita GNP well below $700 in 1993); another 15 percent live in relatively poor middle income countries (with yearly incomes of close to or less than $1,000); and another 180 million people, about half of whom live in China, live on less than a dollar a day.

"Even at a six percent growth of annual per capita income, reaching Malaysia's 1993 income would take Indonesia 16 years, China more than 20 years and Viet Nam about 40 years," Cheetham said.

He recounted how East Asia became the fastest growing region in the world thanks to a series of achievements obtained in an extraordinarily short time. It accumulated productive potential very rapidly through high investments in physical capital and in people and their basic needs, such as education, health and nutrition. It financed investments through high domestic savings rates, supplemented by foreign capital. It used domestic markets very effectively and relied heavily on international trade. It pursued prudent fiscal management and responded swiftly to macroeconomic problems. It also promoted sound partnerships between public and private sectors.

A comparison with the West drives the point home: the United States took almost 50 years to double its output per person during its period of rapid industrialization in the last century. Korea took just 11 years to take off in its industrialization, and China doubles its output per capita every 10 years.

The private sector, he stressed, must play a major role in this process. "Within this emerging agenda, it is now well recognized that the private sector is central to both past and future success. I would particularly emphasize the role of the private financial sector in contributing to meeting the future challenges in the next phase of East Asia's development."

Partnerships between governments, civil society and the international development community will provide an essential tool for designing effective solutions. Cheetham concluded: "The World Bank is deeply involved in trying to help meet each of these challenges. We are trying to do our part in helping to forge the partnerships that will be necessary to meet the goals I have laid out today." □

☎For more information *call Graham Barrett at (202) 458-0344, fax (202) 522-3405.*

'I Have Come to Listen and to Learn'

WOLFENSOHN, *from page 2*

about Hungary but about how the Bank can better serve the needs of this great country," Wolfensohn said at a press conference in Budapest.

Hungary's budget deficit is almost 7 percent of GDP and the ratio of foreign and domestic debt to GDP is about 85 percent; both numbers are the highest in Central Europe and among the highest in all of Europe.

In Albania, Wolfensohn said he was very impressed with the progress that had been realized in the recent years of the country's economic transition. Albania has the highest economic growth rate and one of the lowest inflation rates of all the former communist countries, and recently concluded a successful commercial debt reduction agreement. □

☎For more information *on Russia and the World Bank, contact Jan Pakulski at (202) 473-1797, fax (202) 522-2633.*

Jan Pakulski

In the village of Uchsai, Uzbekistan.

Beijing Conference Arrives at the Bank

Governments should place gender equality at the same level as the economy and other issues of national interest, US First Lady Hillary Clinton said in an address to World Bank staff November 8. Mrs. Clinton delivered the keynote speech at a Bank-sponsored program that addresses themes of gender in development and organizational gender issues, with special focus on the implications for the Bank Group and the Bank's commitment for future action.

The Fourth United Nations World Conference on Women held in Beijing focused world attention on women. It analyzed the progress made and the obstacles to achieving women's full and equal participation in social and economic development. On the final day of the conference, a Platform of Action was adopted by 187 countries, outlining 12 critical areas of concern for women.

The World Bank, too, has been affected by moves toward greater gender equality. To provide inspiration for the work ahead, to highlight gender issues and to bring the themes of Beijing to the World Bank community, the Bank is sponsoring a program of special events, *Beyond Beijing: Acting on Commitments to the World's Women* is underway, from November 6-17.

Speaking to Bank staff on October 7, President James Wolfensohn, who attended the Beijing conference, said: "I am committed to the program that emerged from Beijing, but I cannot do it alone. We all have to fight skepticism, change attitudes and maintain pressure at all levels in order to make it happen." He pointed to the three vice presidential appointments he has made in his first six months in office, all of whom are women.

In her address, Hillary Clinton presented a very strong case for making gender equality an integral part of the entire development process. She placed particular emphasis on the importance of education, health care, nutrition and access to credit—not only to improve women's lives but to raise overall standards of living and to provide social, economic and political equality. She specifically cited some micro-financing programs and made a compelling argument for providing educational opportunities to both girls and women.

Describing a Colorado bank's micro-lending program in the United States, she quoted someone as saying: "So many dreams die in the parking lots of banks," referring to the obstacles women still face, even in Western countries, to obtaining credit.

Mrs. Clinton also suggested that the Bank could take a more active role in stressing the importance of gender equality to officials in those borrowing countries that have not placed the issue high on their agenda. And she gave some advice: "Government ministers will often take a point better if I refer to women not as women, but as 'daughters and girls', because it makes us seem less threatening."

The program on gender was organized to give Bank staff a better understanding of relevant conference proceedings and outcomes, and of the implications for the Bank in terms of operations and internal policies; highlight organizational and operational gender issues for Bank managers and staff, and broaden perspectives on how gender issues are being addressed in different organizations and countries; and promote dialogue on gender issues with colleagues inside and outside the Bank.

The program began November 6 with a resource fair in which Bank staff, other international agencies and nongovernmental organizations can exchange ideas and information about their work on gender issues.

Events at the program include films focusing on women's issues; reports from Beijing produced by ETV, a global access television network; and an art exhibit featuring the works of 120 women artists from around the world. □

☎For more information *on events or speakers call: David Theis at (202) 473-1955 or Lesley Simmons at (202) 473-1785, fax (202) 522-2616.*

Schedule of Events Open to the Public

November 6-17: *Translating Concepts into Action* — a resource fair of exhibits, activities, stalls, and information tables from donors and NGOs.

Monday, November 13: *Beyond Beijing: Key Economic Issues for Women* — a panel, chaired by Ishrat Husain, director of the Poverty and Social Development Department, will identify and discuss the key issues underlying women's access to economic opportunities and control of financial resources.
Panelists: Nancy Barry, president, Women's World Banking; Noeleen Heyzer, director, UNIFEM; Germina Ssemogerere, senior lecturer in economics, Makerere University.

Tuesday, November 14: *Women and Art: Empowering Narratives* — a panel discussion, chaired by Alicia Hetzner, World Bank Staff Art Society.
Panelists: Jenny Marketou, artist/professor of photography, Cooper Union; Caterina Pizanias, writer on women's art; Berta M. Sichel, curator/professor, The New School for Social Research; M.M. Serra, director, Filmmakers' Cooperative, New York; Diane Karp, Publisher, *New Observations* Magazine; Carol Schneemann, artist.

Thursday, November 16: *Breaking Glass Ceilings: The Experience of the Bank of Montreal* — Anthony Comper, president of the Bank of Montreal, will describe the ground-breaking work that has changed the gender profile and management structure at BOM. Host: S. Shahid Husain, senior vice president of Management and Personnel Services, World Bank.

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13-15	First Annual Council Meeting of International Institute for Democracy and Electoral Assistance	International IDEA	Stockholm	(46-8) 698-3700
16	Seminar: Turkey at Europe's Doorstep	Centre Français du Commerce Exterieur	Paris	(33-1) 40733000
16-17	Central American Social Investment Fund: NGO Meeting	FHIS (Social Investment Fund of Honduras)/World Bank	Roatan, Honduras	(202) 458-2532*
16-17	Ethiopia Consultative Group Meeting	World Bank	Paris	(33-1)40693011
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30-Dec. 1	Donors' Meeting for Viet Nam	World Bank	Paris	(33-1)40693011
DECEMBER				
4-6	Seventh Annual Meeting of the Governing Council	Common Fund for Commodities	Amsterdam	(020) 6646409
12	Seminar on Savings Behavior and Products	Epargne Sans Frontière/ Centre National des Caisses	Paris	(33-1)4800-9682
12-13	World Bank Japan Research Fair	World Bank and Japanese Development Organizations	Tokyo	(202)473-7465*

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

The Wonders of Wheat

A Flexible, Strong, Cheap and Fast-Growing Miracle Crop

Wheat is expected to become the number one grain in the developing countries and is making a major contribution to increased food security, according to the Consultative Group on International Agricultural Research (CGIAR).

"Wheat is a real miracle crop of this century," says Ismail Serageldin, chairman of CGIAR and World Bank vice president for Environmentally Sustainable Development. "Increased wheat productivity has prevented widespread food shortages and stabilized the food security of Asia, Latin America and, to some extent, Africa."

Once restricted to temperate and subtropical zones, wheat can now be grown as a winter crop even in hotter climates. Among its advantages are its high resistance to disease and pests, low price, shorter growing time, genetic diversity and flexibility.

People in developing countries now consume half the world's wheat and within 10 years they will consume three-fifths of all wheat production, according to CGIAR. Since the 1960s, wheat consumption has risen almost 5 percent a year in developing countries, faster than any other basic food crop. At the same time, prices have fallen 50 percent.

Wheat is easy to grow: it requires less water than rice and is not as labor intensive as other food grains. It has relatively few natural insect enemies and has strong resistance to major diseases. In the last two decades, average yields in developing countries have almost doubled; during this time, yield increases have accounted for four-fifths of additional output.

Researchers have been able to modify wheat to increase its resistance to multiple diseases and its tolerance to drought, excessive moisture, heat, poor soil fertility and acidity. The result has been the development of modern varieties that make critical—and often overlooked—contributions to sustaining natural resources and ensuring food security for the poor.

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Wheat surpassing rice as number one crop.

The five largest wheat producers in 1994 were China, the United States, India, Russia and France. Last year, Asia harvested 217 million tons of wheat, far outpacing Europe's 119 million tons and the 90 million tons produced jointly by the United States, Canada and Mexico. At the same time, developing countries also account for over two-thirds of the world's total wheat imports, indicating that demand in the developing world has risen even faster than domestic output.

Increased productivity has greatly reduced the pressure to open new and increasingly more fragile lands to agriculture. "If wheat yields per acre had not improved since 1970," says Serageldin, "farmers in the developing world would have needed the equivalent of some 222 million acres (90 million hectares) of additional land, almost double the amount of land they had under wheat in 1970 to 1975."

With no major breakthroughs in wheat yields in the past decade, CGIAR researchers say they are coming up against a "yield barrier," but feel it can be broken with sufficient study and research. "There's still a large gap to close between what technology has given us and what farmers are using," says Tony Fischer, director of the Wheat Program at the International Maize and Wheat Improvement Center.

"While farmers in industrialized countries largely match what technology offers, poor farmers in many developing countries are 30 to 50 percent behind the technology curve. Thus, large production increases are still possible without scientific breakthroughs. However—and this is very important—such technology catch-up will give us only a part of the 3 percent yearly increase in yields that developing countries need to keep up with demand. Only further research can give us the rest." □

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